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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Inventorship..... Yacobi et al.
Applicant..... Microsoft Corporation
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Title: System and Method for Flexible Micropayment of Low Value Electronic Assets

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TRANSMITTAL LETTER AND CERTIFICATE OF MAILING

To: Commissioner of Patents and Trademarks
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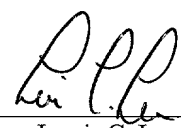
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1. Transmittal Letter with Certificate of Mailing included.
2. PTO Return Postcard Receipt
3. New patent application (title page plus 61 pages, including claims 1-60 & Abstract)
4. Executed Declaration
5. 10 sheets of formal drawings (Figs. 1-11)
6. Assignment w/Recordation Cover Sheet

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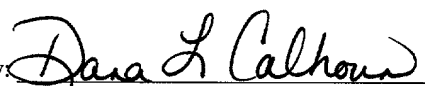
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

APPLICATION FOR LETTERS PATENT

**System and Method for Flexible Micropayment of Low
Value Electronic Assets**

Inventor(s):
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Paul England

ATTORNEY'S DOCKET NO. MS1-306US

1 **RELATED APPLICATIONS**

2 This is a continuation-in-part of U.S. Patent Application Serial No.
3 09/251,229, filed February 16, 1999, which is a continuation of U.S. Patent
4 Application Serial No. 08/751,311, filed November 18, 1996, which issued as U.S.
5 Patent No. 5,872,844 on February 16, 1999.

6
7 **TECHNICAL FIELD**

8 This invention relates to systems that exchange electronic assets as
9 representations of value. More particularly, the invention relates to systems and
10 methods for paying small sums of electronic assets in a flexible and efficient
11 manner. This invention further relates to techniques for handling coupon-based
12 assets.

13
14 **BACKGROUND**

15 Electronic assets are digital representations of value. Electronic assets
16 might be used to represent cash, coins, tokens, coupons, entertainment tickets,
17 government entitlement provisions, and so on. Electronic assets are long, mostly
18 random binary strings, with some relatively small recognizable pattern that are
19 signed by an issuer. For instance, an electronic asset might consist of 500 bits in
20 which 400 bits are truly random, 50 bits are an identifiable string (e.g., all binary
21 zeroes), and the remaining 50 bits are an expiration date. The binary strings are
22 typically generated by an institution that issues the electronic assets. Banks, ticket
23 companies, federal or local government, and businesses are all possible issuers of
24 different kinds of electronic assets.

Driven by technological advances, there is an increasing desire to conduct more commerce electronically, thereby replacing traditional asset forms (bills, coins, paper coupons, tickets, etc.) with electronic assets that represent them. A large segment of commerce is found at the low end of the value scale. This commerce involves values equivalent to present day coins (i.e., pennies, nickels, dimes, quarters, half-dollars, and dollars) and even smaller monetary units less than one cent.

Handling low value electronic assets poses some challenges. Ideally, issuing electronic assets and subsequently spending them would be as flexible as traditional paper bills and metal coins. Unfortunately, electronic assets can be easily and rapidly replicated using computers. This presents a significant risk of fraud. Criminals can reproduce the bit string of an asset and pass off the forged or counterfeited electronic assets as real. To the recipient, the counterfeit bit string offered by the criminal is identical to the expected asset bit string, rendering it difficult to detect whether the offered bit string is the original asset or a reproduced asset that has been “spent” many times before (unless multispending is done to the same payee).

To reduce the risk of fraud, limitations and restrictions are placed on how electronic assets are issued, spent, and deposited. One prior art technique, known as “Payword”, is a micropayment scheme that amortizes the processing cost of one

1 traditional electronic coin over a whole (arbitrarily large) batch of coins (called a
2 “stick”). Each coin in the stick has the same value. Payword, developed by Rivest
3 and Shamir, is limited however in that the entire stick of coins must be dedicated
4 ahead of time to a single vendor.

5 Fig. 1 shows three participants in an electronic asset system 20 implemented
6 according to the Payword protocol: a user U , a bank B , and a vendor V . To briefly
7 describe Payword, let the function $S_i(m)$, $i \in \{U, B, V\}$, denote a signature of party i
8 on message m , wherein the signature has message recovery built in. In a
9 “Withdrawal” exchange between the bank B and the user U , the user U asks the
10 bank B to mint L coins, dedicated to vendor V . Individual coins are derived using
11 a random value x and a one-way hashing function $h()$ as follows:

$$\text{Coin 1} = h(x)$$

$$\text{Coin 2} = h(h(x))$$

$$\text{Coin 3} = h(h(h(x)))$$

16 :

$$\text{Coin L} = h^L(x)$$

19 To compute a stick of coins, the bank picks the random x and computes a
20 stick of L coins, as follows:

$$y = h^L(x)$$

24 The value y represents the bottom coin on the stick. After creating the stick
25 of coins, the bank dedicates the stick to a single vendor and signs the stick. The

1 bank creates a value z that contains the user's identity U , the value y , the dedicated
2 vendor's identity V , denomination d , the number of coins in the stick L and an
3 expiration time t at which coins will expire (i.e., $z=(U,y,V,d,L,t)$). The bank B
4 signs the value z , $S_B(z)$, and returns the random x and signed stick $S_B(z)$ to the
5 user U .

6 When the user pays coins to the dedicated vendor (i.e., the "Payment"
7 exchange between the user and the vendor), the user first sends the signed stick
8 $S_B(z)$ to the vendor. The vendor authenticates the signature. The user sends over
9 individual coins by moving up the stick starting from the bottom stick value y .
10 Individual coins are derived using the hashing function $h()$. In this matter, the
11 computational process of spending one or more coins from the stick is very
12 efficient and requires little processing resources on both sides. The top coin in the
13 stick is the random value x .

14 At the end of the day, the vendor deposits the highest (latest) coin received
15 from the user (i.e., the "Deposit" exchange from the vendor to the bank). The
16 bank credits the vendor for the stick fraction that is deposited. The user maintains
17 credit for the remaining portion of the stick and can continue to spend it later.

18 Since the hashing function $h()$ is one-way, the vendor cannot cheat by
19 exceeding the highest received coin. In addition, the user cannot double spend
20 because the stick is dedicated to one specific vendor, who is capable of rejecting
21 double spending. The cost of a batch minting is roughly the cost of one traditional
22 coin mint, since hashing is four orders of magnitude faster than signing. Likewise,
23 the cost of batch deposit is roughly the cost of one traditional deposit.

24 Payword is limited, however, in that the stick can only be used to pay a
25 single vendor without increased risk of fraud. This is because a vendor can easily

1 check previous coin receipts to see if the user is trying to reveal a coin that the
2 vendor has already seen, but multiple vendors have no easy way of comparing
3 notes on what coins have been revealed. Thus, while Payword is efficient in terms
4 of minting and spending coins, it is inflexible because the user is not free to spend
5 coins coming from one stick with multiple vendors.

6 Accordingly, there is a need to design a system that is efficient like
7 Payword, but is also flexible in allowing the user to spend the coins coming from
8 one stick with multiple vendors.

9 10 SUMMARY

11 This invention concerns an electronic asset system and process that captures
12 the efficiency of asset sticks while allowing the flexibility to spend coins from the
13 same stick with multiple vendors. The system is *sound*, in that the cost to break
14 the system exceeds the maximal possible theft due to the break.

15 The electronic asset system includes a bank B (or other type of issuer), a
16 user U , and multiple vendors $V1, V2, \dots, VM$. The system may also include an
17 auditor A , although the bank/issuer may perform the auditing functions. The
18 process has four phases: withdrawal, payment, deposit, and audit.

19 During the withdrawal phase, a user creates a stick of L electronic assets by
20 computing:

$$21 \\ 22 C_i = h^i(x) \text{ (for } i=1, \dots, L) \\ 23$$

24 where $h(x)$ is a hashing function of a value x . The user then forms a withdrawal
25 request having a user identity U , a user secret K , the bottom asset C_L taken from a

bottom of the stick, a denomination d indicating a value for the assets in the stick, an expiration t , and the length L (i.e., number of assets in the stick). The user submits the withdrawal request to the bank, which signs the withdrawal request:

$$S_B(U, K, d, C_L, t, L)$$

The bank returns the bank-signed withdrawal request to the user. The resulting stick and signed withdrawal request are not dependent on, nor limited to any vendor. Accordingly, the user is free to spend assets from the stick with different vendors.

During the payment phases, the user decides to spend one or more assets from the stick with a vendor having an identity V . The user forms a payment request by concatenating the vendor identity V , a first asset Cj to be spent from the stick, a depth D indicating a distance of the first asset from the bottom of the stick, and a nonce (i.e., a random value generated by the user for inclusion in the payment request). The user signs the payment request:

$$S_U(Cj, D, V1, nonce)$$

The user submits the signed payment request along with the bank-signed withdrawal request to the vendor. The vendor evaluates the signatures of the bank and user and ensures that the coin is properly contained within the stick. If all tests pass, the vendor accepts the first asset as payment. Subsequent to this first asset, the user can pass any additional assets from the stick as payment without digitally signing them.

During the deposit phase, the vendor periodically creates a deposit request having the user-signed first asset $S_U(Cj)$, a last asset spent from the stick Ck , and a run length RL of assets beginning with the first asset Cj and ending with the last asset Ck . The vendor signs the deposit request:

$$S_V(S_U(Cj), Ck, RL)$$

The vendor submits the vendor-signed deposit request along with the bank-signed withdrawal request to the bank. The bank evaluates the vendor signature, the user signature, and its own signature. The bank ensures that the assets are from the stick and credits the vendor's account with the run of assets.

During the audit phase, the vendor wallet randomly selects samples of the assets spent by the user and submits the samples to the auditor. The auditor checks whether the assets have been used in a fraudulent manner (i.e. double spent coins). If so, the user identity is revoked. The auditor also employs a deterministic audit that evaluates all spent assets deposited with the bank for purposes of uncovering fraud.

The electronic asset system employs tamper-resistant electronic wallets embodied in a number of different ways, including smart cards, handheld computing devices, and computers. The wallets are constructed as dedicated hardware devices or as devices with secure-processor architecture. The breaking cost of such wallets is higher than the amortized cost of printing or minting false conventional cash.

The electronic asset system is also capable of handling a special class of assets, namely, electronic coupons. The user and vendor each maintain a stick of

1 corresponding coupons with pointers to the most recent and oldest coupons
2 available for expenditure. When a coupon is used or granted, the user and vendor
3 both update the appropriate pointer to their respective sticks and then exchange
4 signed data describing placement of the pointer to verify a correspondence
5 between the referenced coupons.

6 7 **BRIEF DESCRIPTION OF THE DRAWINGS**

8 Fig. 1 is a general diagrammatic illustration of an electronic asset system
9 that is implemented using a prior art process for minting coins known as
10 "Payword".

11 Fig. 2 is a general diagrammatic illustration of an electronic asset system
12 that is implemented using a minting process according to one aspect of this
13 invention.

14 Fig. 3 is a flow diagram illustrating a withdrawal process for the electronic
15 asset system.

16 Fig. 4 is a flow diagram illustrating a payment process for the electronic
17 asset system.

18 Fig. 5 is a flow diagram illustrating a deposit process for the electronic asset
19 system.

20 Fig. 6 is a flow diagram illustrating a blind withdrawal process for the
21 electronic asset system to render the user anonymous.

22 Fig. 7 is a diagrammatic illustration of a linked dual-stick structure used to
23 manage collection and expenditure of coupons in the electronic asset system.

24 Fig. 8 is a flow diagram illustrating a coupon handling process for the
25 electronic asset system.

1 Fig. 9 is a block diagram of a dedicated hardware wallet that can be
2 employed by participants in the electronic asset system.

3 Fig. 10 is a block diagram of an exemplary secure-processor wallet that can
4 be employed by participants in the electronic asset system. The secure-processor
5 wallet employs an authenticated boot methodology to form a level of trust.

6 Fig. 11 is a flow diagram illustrating an authenticated boot process.

7 Fig. 12 is a diagrammatic illustration of memory space segmented to
8 provide curtaining security in a secure-processor wallet.

9 10 **DETAILED DESCRIPTION**

11 The following discussion assumes that the reader is familiar with electronic
12 assets (or “electronic coins” or “digital cash”) and cryptography. For a basic
13 introduction of digital cash and cryptography, the reader is directed to a text
14 written by Menezes, van Oorschot, Vanstone entitled “Handbook of Applied
15 Cryptography”, published by CRC Press, 1977, ISBN 0-8493-8523-7. Another
16 useful text is written by Bruce Schneier and entitled “Applied Cryptography:
17 Protocols, Algorithms, and Source Code in C,” published by John Wiley & Sons
18 with copyright 1994 (revised edition in 1996).

19 Fig. 1 generally shows an electronic asset system 30 in which electronic
20 assets are issued, spent, deposited, audited, and ultimately expired. As used in this
21 disclosure, the term “electronic asset” means an electronic representation of value,
22 typically expressed in binary bits. It might include tickets, tokens, cash, coins,
23 government entitlements, coupons, or the like. For discussion purposes, aspects of
24 this invention are described in the context of “electronic coins” that are minted in a
25 “stick” of numerous coins. Other aspects of this invention are described in the

1 context of "electronic coupons". However, these specific implementations may be
2 generalized to other types of assets.

3 Assets are stored on tamper-resistant electronic wallets. Tamper-resistant
4 technology makes it difficult to directly open the wallet's memory and obtain the
5 stored assets, or to communicate with the wallet other than as specified by certain
6 cryptographic protocol, which also protects the communication channel. To break
7 such tamper-resistant wallets, the criminal is anticipated to make an initial
8 investment to defeat the tamper-resistant protection. There are many different
9 ways to implement tamper-resistant wallets. They may be implemented as small
10 portable computing devices with their own trusted displays and keyboards, such as
11 hand held computers, personal digital assistants, or laptop computers. A less
12 sophisticated electronic wallet may be implemented as a smart card, PC card, or
13 other technology, which permit receipt, storage, and output of electronic assets.
14 Specific implementations of a hard-to-break wallet are described under the heading
15 "Computers/Wallets".

16 The assets may be transferable or non-transferable. A "transferable
17 electronic asset" is an electronic asset that may be transferred multiple times,
18 similar to real cash. A system using transferable electronic assets is described in
19 U.S. Patent No. 5,872,844, entitled "System and Method of Detecting Fraudulent
20 Expenditure of Transferable Electronic Assets", which issued February 16, 1999,
21 in the name of Yacov Yacobi. This patent is owned by Microsoft Corporation and
22 is hereby incorporated by reference.

23 A "non-transferable electronic asset" is an electronic asset that is uniquely
24 issued for a single use and then retired from circulation after the one use. Unlike
25 traditional cash, non-transferable electronic assets are not reused numerous times.

The electronic asset system 30 includes a bank B , a user U , and multiple vendors $V1, V2, \dots, VM$. The system 30 may also include an auditor A , although the bank may also perform the auditing functions. Generally, the system implements four phases: withdrawal, payment, deposit, and audit. The user withdraws electronic assets from the bank as represented by the “Withdrawal” branch 32. The user then spends the assets through payments to the different vendors $V1, V2, \dots, VM$, as represented by the “Payment” branch 34. Periodically, the vendors deposit the collected assets with the bank, as represented by the “Deposit” branch 36. In this most basic model, the bank performs both the issuing function and the collection function, although the two functions can be performed by separate banks, which then have to consolidate.

The vendor periodically submits randomly selected coins received as payment from the user for real-time probabilistic auditing, as represented by the partial real-time “Probabilistic Audit” branch 38. The audit may be performed by the bank or by an auditor. Exemplary probabilistic audits are described in the above-incorporated U.S. Patent No. 5,872,844. With this system, a fraction of spent coins are audited periodically in an effort to statistically detect fraudulent behavior. The bank also submit all deposited assets to the auditor to perform a comprehensive “after-the-fact” or “deterministic” audit on all deposited assets to discern conclusively whether any fraudulent expenditure has occurred. This is represented by the “Deterministic Audit” branch 40.

1 The electronic asset system 30 makes several assumptions. One assumption
2 is that only the bank and the auditor are trusted, and not the user and vendor.
3 Another assumption is that the cost of breaking a wallet exceeds the maximum
4 theft. The upper bound of the cost is described in an article by Yacov Yacobi,
5 entitled "Risk Management for e-cash Systems with Partial Real Time Audit",
6 which was published in Financial Cryptography'99. Letting $b=d^2$, where d is the
7 audit rate, then theft is $< (e^b-1)^{-1}$. The cost of subverting the audit process is
8 further assumed to exceed the maximum allowed balance in a wallet.

9 All communication channels 32, 34, 36, 38, and 40 among the participants
10 are protected via conventional cryptographic techniques to preserve privacy. The
11 communication channels are representative of many different types of connections,
12 including direct local connections or remote connections over a communication
13 network, such as a public network (e.g., the Internet, telephone, cable TV, etc.) or
14 a wireless network (e.g., cellular phone, paging network, satellite, etc.). These
15 channels are secured using cryptography protocols, such as secure channel
16 protocols (e.g. SSL) and secure messaging protocols.

17 All participants initially register with a certifying authority (not shown). In
18 some environments, the bank functions as the certifying authority. Alternatively,
19 the registering function is performed by a separate trusted entity. The certifying
20 authority issues certificates that are later used by the parties in a transaction to
21 verify the identity of each other. The certifying authority's role is limited to the
22 registration process, and possibly in the revocation process (although this could be
23 done by a separate entity) and has no part of the payment transaction after this
24 initial registration process.
25

1 The four phases—withdrawal, payment, deposit, and audit—are described
2 below in more detail.

3 4 Withdrawal

5 Fig. 3 shows the withdrawal process for the electronic asset system 30 (i.e.,
6 branch 32 of Fig. 2). Initially, the user U has a public key K (and corresponding
7 private key) and a certificate $CERT_U$. Certificates are used to authenticate users.
8 More explicitly, the certificates authenticate the linkage between a user and his
9 public key K .

10 Computing devices/wallets associated with the user and bank perform the
11 steps in software, hardware, or a combination thereof.

12 At step 50, the user creates its own stick of L coins, in which each coin has
13 the same denomination d . The user chooses a random starting value x and a length
14 L (i.e., number of coins) and computes individual coins C_1, C_2, \dots, C_L using a one-
15 way hashing function $h()$, as follows:

$$16 \quad C_1 = h(x)$$

$$17 \quad C_2 = h(h(x))$$

18
19 :

$$20 \quad C_L = h^L(x)$$

21
22 This can be summarized as:

$$23 \quad C_i = h^i(x) \text{ (for } i=1, \dots, L)$$

1 The stick is thus composed of L coins, where C_1 is the top coin in the stick
2 and C_L is the bottom coin. Enabling the user to create its own stick is one
3 distinction from the Payword technique discussed in the Background section. It
4 streamlines the withdrawal process for the bank because the bank is no longer
5 required to create the coin stick.

6 At step 52, the user presents a withdrawal request containing the stick and
7 additional information to the bank. The withdrawal request z includes the user
8 identity U , the user's public key K , the denomination d , the bottom stick value C_L ,
9 the length L , and an expiration t :

$$\text{Withdrawal Request } z = (U, K, d, C_L, t, L)$$

13 The bank sets the expiration time t , but this value is known to the user and
14 submitted as part of the withdrawal request. The user signs the request (creates
15 $S_U(z)$) and sends it to the bank.

16 At step 54, the bank determines whether the user identity U has been
17 revoked for any reason (e.g., overdrawn account, past fraudulent expenditure, etc.).
18 If so, the request is denied. Otherwise, if U has not been revoked and there are
19 sufficient funds in the account, the bank deducts the value of the stick from the
20 user's account (step 56). At step 58, the bank signs the withdrawal request using
21 its own signing key for the requested denomination, B_d , to authorize use of the coin
22 stick:

$$\text{Signed Withdrawal Request } w = S_{B_d}(z) = S_{B_d}(U, K, d, C_L, t, L)$$

At step 60, the bank returns the signed withdrawal request to the user.

Another advantage of this withdrawal process as compared to Payword is that the coin stick is not dedicated to a single vendor. None of the steps in the minting process utilizes a vendor identity. Thus, the user is free to spend coins from the same stick with different vendors. Generally speaking, the withdrawal process is as efficient as that of Payword.

Payment

Fig. 4 shows the payment process for the electronic asset system 30 in which the user pays one or more coins to one or more vendors (i.e., branch 34 in Fig. 2). Computing devices/wallets associated with the user and vendor perform the steps in software, hardware, or a combination thereof.

At step 70, the user initiates a payment to a vendor VI . The user forms a payment request by concatenating the first coin of the payment, C_j , with additional information including a depth D measuring a distance from the bottom of the stick to the first coin of the payment C_j , the vendor identity VI , and a nonce. The user signs the payment request using its private signing key:

$$\text{Signed Payment Request} = S_U(C_j, D, VI, \text{nonce})$$

At step 72, the user sends the signed payment request along with the signed withdrawal request to the vendor.

At steps 74-86, the vendor performs a number of verifications. First, the vendor determines whether the user identity U has been revoked for any reason (step 74). If not, the vendor next verifies the user's signature using the user's

1 public key (step 76). If it is valid, the vendor proceeds to verify the bank's
2 signature (step 78). If any one of these tests fails, the payment is rejected.

3 At step 80, the vendor determines whether the coin is contained within the
4 stick by comparing the depth D with the overall stick length L . The stick length L
5 is derived from the signed withdrawal request $S_{Bd}(U, K, d, C_L, t, L)$. If the coin
6 falls outside the stick, the transaction is rejected.

7 The vendor randomly selects certain coins for partial probabilistic auditing.
8 The vendor maintains an internal source of randomness r that triggers when a coin
9 is sent for an audit. For example, suppose the random value r is one byte in length,
10 and the vendor submits a coin for audit each time the value r is zero. Accordingly,
11 at step 82, the vendor checks whether the random value r equals zero. If it does,
12 the vendor submits the coin C_j for probabilistic audit (step 84). This audit is
13 described below under the heading "Probabilistic Audit".

14 Assuming every test is met, the vendor verifies the coin C_j using the bottom
15 coin C_L (derived from the signed withdrawal request) and the hashing function $h(x)$
16 (step 86). More particularly, the vendor determines whether hashing the proffered
17 coin C_j the number of times equal to the stick depth D equals the bottom coin C_L :

$$\text{Does } h^D(C_j) = C_L?$$

18
19
20
21 If the computation yields a match, the proffered coin C_j is verified, accepted
22 by the vendor, and applied toward the payment transaction (step 88). The vendor
23 then determines whether more coins are forthcoming (step 90). If so, the user
24 sends the next coin in the stick, C_{j-1} (step 92). Unlike the first coin, however, the
25 user does not sign this next coin. In fact, the user does not sign any subsequent

1 coin in a run of coins being paid to the vendor. Hashing is four orders of
2 magnitude faster than signing, and thus the payment phase offers the same
3 efficiencies as Payword in that only one signature is evaluated when spending
4 multiple coins from a single stick.

5 The process returns to step 80, where the vendor determines whether the
6 next coin C_{j-1} is contained within the stick. If so, the vendor evaluates whether
7 this coin should be audited (step 82) and then verifies the coin (step 86):

$$8 \quad \text{Does } h(C_{j-1}) = C_j?$$

9
10
11 Verifying each successive coin in the run can be generalized as follows:

$$12 \quad \text{Does } h(C_{j-k-1}) = C_{j-k}?$$

13
14
15 Once the user has paid the correct value and the run of coins is completed
16 (i.e., the “no” branch from step 90), the payment phase is concluded.

17 18 **Deposit**

19 Fig. 5 shows the deposit process for the electronic asset system 30 in which
20 a vendor deposits one or more coins collected from the user to the bank (or other
21 collection agency) (i.e., branch 36 of Fig. 2). Computing devices/wallets
22 associated with the vendor and bank perform the steps in software, hardware, or a
23 combination thereof.

24 At step 100, the vendor periodically initiates a deposit of coins received
25 from a user (e.g., at the end of the day). Suppose the vendor has collected a run of

1 coins having a run length RL (where run length $RL < \text{stick length } L$) beginning
2 with coin C_j and ending with coin C_k . The vendor concatenates the signed first
3 coin received from the user, $S_U(C_j)$, the end coin C_k , and the run length RL to form
4 a deposit request. The vendor then signs the deposit request using its private key:

$$\text{Signed Deposit Request} = S_V(S_U(C_j), C_k, RL)$$

8 At step 102, the vendor sends the signed deposit request along with the
9 signed withdrawal request to the vendor.

10 At step 104, the bank determines whether the user identity U has been
11 revoked for any reason. If not, the bank verifies the user's signature S_U on the first
12 coin C_j using the user's public key (step 106). If it is valid, the bank verifies the
13 vendor's signature S_V on the signed deposit request (step 108). If valid, the bank
14 verifies its own signature S_{Bd} on the signed withdrawal request (step 110). If
15 anyone of these tests fails, the payment is rejected.

16 Assuming all signatures are valid, the bank determines whether the run
17 length RL is within the stick length L (step 112). If this test is successful, the bank
18 determines whether any coins in the run beginning with coin C_j and ending with
19 coin C_k collide with any previously spent coins (i.e., two or more identical coins),
20 thereby indicating that the coins have been fraudulently multi spent (step 114).

21 This determination is an "after-the-fact" analysis that evaluates every coin
22 deposited by the vendors. If one or more collisions occur, the bank revokes the
23 user identity U to thwart other attempts to fraudulently spend coins (step 116). If
24 no collisions are found, however, the bank credits the vendor's account with the
25 value of the run with length RL (step 118).

1 Alternatively, the bank may send the coins out to the auditor (i.e., branch 40
2 in Fig. 2) to have the auditor perform the collision tests.

3 Certificates issued for users and wallets are given a short expiration. This
4 reduces the size of certificate revocation lists (CRLs) that reside on each vendor-
5 wallet. New certificates are issued with new wallets. New certificates and keys
6 are supplied in new keyed-SRI (Software Resistance to Interference) containers.

7 The cost of processing a deposit of a run is approximately the same as the
8 cost of depositing a whole stick in PayWord. In addition, if the audit sampling rate
9 is $d=1/L$ then it is highly likely that each stick is audited once before deposit. The
10 present method enables impulse shopping at a lower cost than traditional schemes
11 of independent coins.

12 13 **Partial Probabilistic Audit**

14 As shown at steps 82 and 84 of Fig. 4, the vendor occasionally submits a
15 randomly selected coin to an auditor (which may or may not be the bank) for a
16 determination of whether the coin has been double spent. The probabilistic audit is
17 described in detail in U.S. Patent No. 5,872,844 and U.S. Patent No. 5,878,138.

18 The auditor receives the sample coins from the vendors. With sticks of 100
19 coins and an audit rate of 1%, roughly one coin from every stick is submitted to the
20 auditor. The sample coins are sent over a protected communication channel. The
21 auditor compares the coin with other coins to determine whether there is any
22 collision (i.e., meaning there are two or more identical coins), thereby indicating
23 that the coins have been used in a fraudulent manner (e.g., double spent,
24 transferred from a single payer wallet to multiple payee wallets, etc.). Upon
25 detection, the auditor revokes the user identity U by adding the identity to a

1 certificate revocation list (CRL) that is posted publicly and/or sent to participating
2 vendors to stop future attempts to commit fraud.

3 The CRL can be broadcast to the electronic wallets over a data
4 communication network, such as a public network (e.g., the Internet) or a wireless
5 network (e.g., cellular phone and paging network). The wallets are equipped with
6 receivers to receive the broadcast transmission of the list. The entire list can also
7 be posted to a central location (e.g., an Internet web site) so that anybody can
8 access and download it.

9 The CRL is relatively short because it only contains the identities of bad
10 user-wallets (and not individual bad coins) and because the certificates issued to
11 the wallet have comparatively short expiration terms. As a result, the list can be
12 stored locally on each vendor-wallet. When a user on the list next attempts to
13 spend assets (whether fraudulently or not), the vendor will refuse the transaction.

14 According to this probabilistic fraud detection scheme, the criminal might
15 successfully double spend electronic assets during initial transactions. But, due to
16 early detection through sampling, the criminal is eventually prevented from further
17 fraudulent use of the bad wallet. The fraud detection occurs with high probability
18 before the criminal can break-even on the initial investment required to clone the
19 wallet in the first place and make an illegitimate profit. Once fraud is detected,
20 further perpetuation by the same broken wallet is prevented.

21 22 Security

23 The bank's ultimate requirement is that assets cannot be stolen. In the case
24 of electronic coins, this requirement means that coins cannot be double spent. If
25

every coin is audited when used, this requirement can be satisfied. However, when the audit rate is not deterministic, theft cannot be altogether prevented.

A payment system is considered sound if the breaking cost of a wallet exceeds the expected theft from that wallet and its clones until it is revoked (once revoked, the clones are all revoked as well). A system, which is fully audited in real-time, is by definition sound. However, partially audited systems can be sound if there is some amortized cost associated with breaking every wallet. For every breaking cost, there is a corresponding audit rate that guarantees soundness. Let $0 < d < 1$ be the audit rate. The expected theft from a broken coin-wallet is upper bounded by $B = (ed^2 - 1) - 1$. (See, Yacobi, Financial Crypto'99, referenced above).

There are generally four types of attacks that do not require breaking a wallet: (1) attacks by the user, (2) attacks by the vendor, (3) collusion between users and vendors, and (4) timing attacks. In the first type of attacks, a user might attempt to spend more coins than included in the stick. The system prohibits spending coins beyond the length of the stick L because the stick length is included in the signed withdrawal receipt $S_B(U, K, C_L, t, L)$ and verified on the first payment of each run. (Multi spending is blocked via audit).

In the second type of attack, a vendor might claim that the same coin was paid more than once. However, the system thwarts this attack by requiring the vendor to check for multiple spending before acceptance. Further, the vendor cannot deposit the same coin twice because the bank checks for double spending. A vendor may also try to claim a gap between two runs he legitimately received. In this event, some other merchant will claim (parts of) the same gap and will prove legitimate ownership of that gap. This will incriminate the vendor. The system implements a policy that the first party to deposit a multi-spent coin wins

1 (FDW) unless that party is proven guilty of fraud. If the vendor is found to have
2 committed fraud, its account is not credited under the FDW deposit policy.

3 In the third type of attack, a user colludes with multiple vendors. The user
4 pays the same coin to each vendor and the vendors evade the audit and try to
5 deposit the multiple coins. However, the FDW deposit policy only permits the
6 first depositor to collect the money, and hence the colluding group as a whole has
7 no gain.

8 In the fourth type of attack, an adversarial user measures the time that a
9 vendor takes to accept a coin. If it is longer than usual, the user assumes that the
10 coin is being audited and does not double spend anymore from this stick. To
11 combat this attack, the vendor delays all transactions by the current average time
12 taken by one audit round.

13 14 **Anonymous System**

15 The electronic asset system 30 can be modified to provide a good level of
16 anonymity while being almost as efficient as the non-anonymous system described
17 above. Furthermore, anonymity can be conditional. Upon court order, a trustee
18 can act to make coins traceable to their user (which is a NSA requirement for any
19 anonymous system). In system 30, the trustee is involved only in the certification
20 process, while in other systems the trustee is involved in any withdrawal and has to
21 do some small computation per each coin.

22 The goal of an anonymous system is to break the linkage between a user
23 and the transactions, as viewed by the bank and the vendors. In system 30, users
24 have pseudonyms (certificates which are not linked to user ID) that they can
25 change at will. The general concept is that users maintain a pseudonym as long as

The anonymous electronic asset system breaks the linkage between a user and its coins in two places. First, the coins are de-coupled from the corresponding bank account using blind signatures. A “blind signature” is the electronic kin of signing an envelope containing a document and a carbon copy. The signature is pressed through the envelope and appears on the document, but the signer has no idea what it is signing. Only the recipient can extract the signed message from the envelope. Blind signatures are described in greater detail in the Schneier book (use the CRC book) identified at the beginning of Detailed Description Section.

Second, the system de-couples the linkage between a user and the user's wallet. Trustees are relied upon to expose the identity of double spenders upon legal court order. Fig. 6 shows an anonymous withdrawal process to blind coin sticks and the subsequent payment process using coins from the blind stick. At step 130, the user creates its own stick of L coins. As before, the user chooses a random starting value x and a length L (i.e., number of coins) and computes individual coins C_1, C_2, \dots, C_L using a one-way hashing function $h()$, as follows:

$$C_I = h(x)$$

$$C_2 = h(h(x))$$

•

$$C_L = hL(x)$$

The stick is composed of L coins, where C_1 is the top coin in the stick and C_L is the bottom coin. At step 132, the user proves its identity U to the bank. The bank determines whether the user identity U has been revoked for any reason (e.g., overdrawn, perpetuating fraud, etc.) (step 134). If so, the withdrawal request is denied. Otherwise, if U has not been revoked, the bank allows the user to proceed.

At step 136, the user blinds the coin stick by multiplying the bottom by some random secret p , as follows:

$$\text{Blind Stick (bottom)} = p^e C_L \bmod N$$

where N is the bank's modulus and e and f (introduced below) are the bank's public and secret exponents, respectively. At step 138, the user sends a withdrawal request having the stick length L and the blind stick $p^e C_L \bmod N$ to the bank.

The bank deducts the value of the stick from the user's account (step 140). At step 142, the bank signs the blind stick by computing:

$$c = (p^e C_L)^{Lf} = p^L C_L^{Lf} \bmod N$$

The bank returns the signed blind stick c to the user (step 144). At step 146, the user derives a new value for the bottom of the blinded stick by computing:

$$C_L^{Lf} = c/p^L \bmod N.$$

The bottom of the new stick is $(L, C_L^{Lf} \bmod N)$.

During the payment phase, the user passes the new stick bottom $(L, C_L^{Lf} \bmod N)$ to the vendor (step 148). At step 150, the vendor verifies the stick by computing the original last coin C_L and then computing $C_L^L \bmod N$. The vendor then determines:

$$\text{Does } C_L^L = (C_L^{Lf} \bmod N)^e \bmod N ?$$

If the determination is true, the stick is positively verified; else, the transaction is rejected.

Coupons

Coupons are one specific class of electronic assets supported by the electronic asset system 30. Coupons are offered to users by vendors (or third party sources) and employed by the users in place of other asset types (e.g., electronic coins). Unlike other asset types, coupons do not require bank involvement. But, coupons pose new problems that are not encountered with other electronic assets. The problems stem from the fact that the role of the bank is played by the vendor. While the bank is trusted, this same assumption cannot be made for the vendor.

Accordingly, in the coupon context, there is a mutual suspicion between the user and the vendor about how many unused coupons the user holds. It is in the vendor's interest to under account for the number of unused coupons, thereby making the balance of "free" coupons smaller and forcing the user to utilize electronic coins (or other asset types). Conversely, it is in the user's interest to over account for the number of unused coupons, thereby making the balance of

1 “free” coupons larger so that the user can utilize these coupons in place of
2 electronic coins (or other asset types).

3 The electronic asset system 30 can be configured to automatically resolve
4 disputes between the user and vendor at a very low cost. The system employs a
5 “linked dual-stick” data structure in which the user and vendor each maintain a
6 stick of coupons. The sticks mirror one another and the method for handling
7 coupons maintains identical reciprocity so that neither the user nor the vendor is
8 able to cheat without the other party’s knowledge. Furthermore, disputes can be
9 resolved with the honest party being able to prove its case in court.

10 To describe the coupon architecture, consider the case of a single vendor in
11 which a user U receives a coupon for vendor V (for instance, in consideration for
12 reading an advertisement from the vendor). The user later spends the coupon with
13 vendor V . The linked dual-stick data structure tracks when the user is granted
14 coupons and when the user spends them with the vendor.

15 Fig. 7 shows the linked dual-stick data structure 200 having a user stick 202
16 and a vendor stick 204. Each stick is configured according to a FIFO (first in first
17 out) policy, where earned coupons are added to the top of the stick and spent
18 coupons are removed from the bottom of the stick. Each stick has two pointers: a
19 top pointer P_t and a bottom pointer P_b . As coupons are added, the top pointer P_t
20 is incremented to reflect new coupons that are now available for use. As coupons
21 are spent, the bottom pointer P_b is incremented to reflect their expenditure and
22 reference the next unused coupon in the stick to be spent. The balance of available
23 coupons, B , is equal to the difference between the top and bottom pointers (i.e.,
24 $B = P_t - P_b$).

Fig. 8 shows a process for managing the linked dual-stick data structure. As mentioned earlier, the vendor has an interest in decreasing the balance B (i.e., narrowing the gap between the top and bottom pointers) while the user has an interest in increasing the balance B (i.e., widening the gap between P_t and P_b). The process prohibits the user and vendor from cheating one another, even without the presence of a trusted third party (e.g., bank). The steps shown in the process can be implemented in software, hardware, or a combination of both. The process is described with reference to the data structure of Fig. 7.

At steps 220 and 222, both the user and the vendor create their own stick having a predetermined length L in a similar manner as that described above with respect to step 50 (Fig. 3). The user's stick 202 has a bottom value Y_u and the vendor's stick 204 has a bottom value Y_v . At steps 224 and 226, the user and vendor sign and verify three variables: the length L , the user's stick bottom value Y_u , and the vendor's stick bottom value Y_v . This creates the linked dual-stick structure.

Now, first consider the process of earning coupons, which affects the vendor sticks V at both the vendor site and the user site. Suppose the user is granted the next coupon on the vendor's stick. For example, the user clicks on an

The user increments the top pointer Pt in its stick 202 to reference the next coupon “ C_{next} ” at entry 210, as represented by the dashed pointer 214 in Fig. 7 (i.e., step 232 in Fig. 8). The user then verifies the new coin using one application of the hash function by checking whether $H(\text{new coupon})$ equals the previous coupon. (step 234).

Next, consider the process of spending coupons, which affects the user sticks U at both the vendor site and the user site. Suppose the user spends a coupon, for instance, by clicking a link at the vendor's Web site that consumes a coupon. At step 238, the user submits its identity U and the current coupon " $C_{current}$ " being referenced by the bottom pointer Pb . The vendor checks if the user has a properly initialized account that is in good standing (step 240). Assuming this is the case, the vendor evaluates whether the coupon is consistent with its own view of the stick (step 242). The vendor makes this determination by hashing to the location in the stick. Finally, at step 244, the vendor determines whether the top pointer Pt for the stick is still above the bottom pointer Pb (i.e., $Pt \geq Pb$). Failure of this latter test indicates that the user is trying to spend coupons that either do not exist or have not been granted by the vendor. Failure of any one of these tests results in rejection of the coupon (step 246).

If all three tests are successful, the vendor accepts the coupon in place of actual payment (step 248). Both the user and the vendor increment their versions of the bottom pointer Pb (steps 250 and 252).

From time to time, the sticks 202 and 204 may not mirror one another. For instance, if the vendor's stick indicates that the top pointer P_t is below the bottom pointer P_b and the user's stick 202 shows the top pointer P_t is above the bottom pointer P_b , the user will be asked to submit his top pointer and the top coupon to prove its validity to the vendor. The vendor can verify the coupon via a series of hashes. This batch processing is computationally inexpensive.

With the linked dual-stick data structure, the user cannot increase the coupon balance B_u because the vendor can prove to the contrary. Similarly, the vendor cannot decrease its coupon balance B_v for this user because the user can prove otherwise.

The vendor may try to claim that it received the same coupon beforehand, and refuse to honor the proffered coupon. In this case, the vendor can illegally gain only one coupon, and it is not worth blocking this attack. In large coupon redemption (e.g. getting a free flight for a lot of miles), the protection is warranted. In this situation, the user first sends the new pointer P_b , and the vendor sends back a signed declaration that it has not received coupons in the gap between the new pointer P_b and the old one. If the vendor claim otherwise, it is forced to show the contradicting coupons. Upon receiving the signed declaration, the user sends the coupon corresponding to the new bottom pointer P_b .

The above discussion addresses the single vendor case. However, with tamper-resistant protection it is suitable for multiple vendors with the addition of an auditing system. The threat for multiple spenders is that a user may double spend the same coupon with two vendors. To minimize this attack, the system audits a small sample of the coupons for double spending, and if such fraudulent

1 expenditure is found, the whole coupon stick is void and the user's account is
2 revoked.

3 4 Computers/Wallets

5 Each participant in the electronic asset system—bank, user, vendor,
6 auditor—possesses tamper-resistant hardware/software devices. These devices
7 may be implemented in fixed site computers or in portable devices. Secure devices
8 designed to safely hold electronic assets are referred to as “electronic wallets”.

9 There are two exemplary types of wallets that may be used in the electronic
10 asset system 30. The first type of wallet is a dedicated hardware wallet, and the
11 second type of wallet is a secure processor wallet. These types of wallets are
12 described separately below.

13 14 Type I: Dedicated Hardware Wallet

15 Dedicated hardware wallets are equipped with some resistance to cloning
16 and interference. Secret keys are not exposed outside the wallet. Examples of this
17 wallet type include small portable computing devices with their own trusted
18 displays and keyboards, smart cards, PC cards, or other technology that permit
19 receipt, storage, and output of electronic assets, while resisting reverse engineering
20 practices to expose secret keys.

21 Fig. 9 shows an exemplary dedicated hardware wallet 300 implemented as a
22 smart card. The smart card-based wallet has an interface 302, a microcontroller or
23 processor 304, and secured storage 306. The microcontroller 304 is
24 preprogrammed to perform certain cryptographic functions (including hashing)
25 and can read from and write to the secured storage 306. The microcontroller 304

1 responds to commands sent via an interface 302 and can send data in response to
2 those commands back to the interface.

3 The secured storage 306 contains a passcode 310, one or more keys 312
4 (e.g., encryption and signing keys), a certificate 314, and a coin stick 316. Before
5 it will perform any cryptographic functions involving the private keys 312, the
6 wallet 300 is unlocked by a command sent in via the interface 308 that specifies a
7 passcode matching the stored passcode 310. Once unlocked, the wallet can be
8 instructed by other commands to perform cryptographic functions that involve the
9 use of the private keys 312, without making them available outside of the smart
10 card.

11 The programming of the microcontroller 304 is designed to avoid exposing
12 the passcode 310 and private keys 312. There are no commands that can be issued
13 to the microcontroller 304 via the interface 302 that will explicitly reveal the
14 values of the passcode or the private key. In this manner, the smart card prevents a
15 foreign application from inadvertently or intentionally mishandling the passcode
16 and key in a way that might cause them to be intercepted and compromised. In
17 constructing smart cards, manufacturers should take additional measures to ensure
18 that the secured storage is hard to access even when the smart card is disassembled
19 and electronically probed, and have measures against Timing attacks and
20 Differential Power Analysis.(DPA).

21 22 Type II: Secure-Processor Wallet

23 The second wallet type is one that employs a general purpose secure-
24 processor. A secure-processor wallet is especially architected to simulate a
25 dedicated hardware wallet. The architecture relies on techniques such as

1 authenticated boot and curtaining. The architecture and wallet code ensures that
2 secret keys are exposed only inside the secure processor. The “authenticated boot”
3 methodology employs certificates of authenticity provided by the operating system,
4 the processor, and the computer to prove a certain trusted behavior. A certificate
5 for the wallet is produced during installation by the bank, and this certificate is
6 shown on the first transaction in each run and gravitates to the bank during deposit
7 and audit. The “curtaining” methodology allows an application to be executed in a
8 secure manner on an open system by ensuring that no other applications can access
9 the data being used by the secure application unless explicitly authorized. A
10 security manager, responsible for handling secure sections of memory, can provide
11 a certificate that a particular application is executing in a secure section of
12 memory, thereby proving the authenticity of the application.

13 14 Secure Processor Wallet with Authenticated Boot Architecture

15 Fig. 10 shows a secure-process wallet 350 configured according to the
16 authenticated boot methodology. The wallet 350 includes a central processing unit
17 (CPU) 352, nonvolatile memory 354 (e.g., ROM, disk drive, CD ROM, etc.),
18 volatile memory 356 (e.g., RAM), a network interface 358 (e.g., modem, network
19 port, wireless transceiver, etc.), and an OEM certificate 360. The wallet may also
20 include an input device 362 and/or a display 364. These components are
21 interconnected via conventional bus architectures, including parallel and serial
22 schemes (not shown).

23 The CPU 352 has a processor 370 and may have a cryptographic accelerator
24 372. The CPU 352 is capable of performing cryptographic functions, such as
25 signing, encrypting, decrypting, authenticating, and hashing, with or without the

1 accelerator 372 assisting in intensive mathematical computations commonly
2 involved in cryptographic functions.

3 The CPU manufacturer equips the CPU 352 with a pair of public and
4 private keys 374 that is unique to the CPU. For discussion purposes, the CPU's
5 public key is referred to as " K_{CPU} " and the corresponding private key is referred to
6 as " K_{CPU}^{-1} ". Other physical implementations may include storing the key on an
7 external device to which the main CPU has privileged access (where the stored
8 secrets are inaccessible to arbitrary application or operating system code). The
9 private key is never revealed and is used only for the specific purpose of signing
10 stylized statements, such as when responding to challenges from a portable IC
11 device, as is discussed below in more detail.

12 The manufacturer also issues a signed certificate 376 testifying that it
13 produced the CPU according to a known specification. Generally, the certificate
14 testifies that the manufacturer created the key pair 374, placed the key pair onto the
15 CPU 352, and then destroyed its own knowledge of the private key " K_{CPU}^{-1} ". In
16 this way, nobody but the CPU knows the CPU private key K_{CPU}^{-1} ; the same key is
17 not issued to other CPUs. The certificate can in principle be stored on a separate
18 physical device but still logically belongs to the processor with the corresponding
19 key.

20 The manufacturer has a pair of public and private signing keys, K_{MFR} and
21 K_{MFR}^{-1} . The private key K_{MFR}^{-1} is known only to the manufacturer, while the
22 public key K_{MFR} is made available to the public. The manufacturer certificate 376
23 contains the manufacturer's public key K_{MFR} , the CPU's public key K_{CPU} , and the
24 above testimony. The manufacturer signs the certificate using its private signing
25 key, K_{MFR}^{-1} , as follows:

1
2 Mfr. Certificate = $(K_{\text{MFR}}, \text{Certifies-for-Boot}, K_{\text{CPU}})$, signed by K_{MFR}^{-1}

3
4 The predicate “certifies-for-boot” is a pledge by the manufacturer that it
5 created the CPU and the CPU key pair according to a known specification. The
6 pledge further states that the CPU can correctly perform authenticated boot
7 procedures, as are described below in more detail. The manufacturer certificate
8 376 is publicly accessible, yet it cannot be forged without knowledge of the
9 manufacturer’s private key K_{MFR}^{-1} .

10 Another implementation in which a ‘chain of certificates’ leading back to a
11 root certificate held by the processor manufacturer is also acceptable.

12 Similarly, the OEM (Original Equipment Manufacturer), the manufacturer
13 of the computer as distinguished from the manufacturer of the processor, may
14 provide an OEM certificate 360 that certifies that the design of the computer
15 external to the processor does not include various known attacks against the secure
16 operation of the processor. The OEM also has a pair of public and private signing
17 keys, K_{OEM} and K_{OEM}^{-1} . The OEM certificate is signed using the private key K_{OEM}^{-1}
18 ¹ analogous to the manufacturer’s certificate 376 being signed by the processor
19 manufacturer.

20 The CPU 352 has an internal software identity register (SIR) 378, which is
21 cleared at the beginning of every boot. The CPU executes an opcode
22 “BeginAuthenticatedBoot” or “BAB” to set an identity of a corresponding piece of
23 software, such as operating system 390, and stores this identity in the SIR; the boot
24 block of the operating system (described below) is atomically executed as part of
25 the BAB instruction. If execution of the BAB opcode and the boot block fails

1 (e.g., if the execution was not atomic), the SIR 378 is set to a predetermined false
2 value (e.g., zero).

3 The CPU 352 also utilizes a second internal register (LOGR) 380, which
4 holds contents produced as a result of running a LOG operation. The CPU 352
5 also maintains a "boot log" 382 to track software modules and programs that are
6 loaded. In one implementation, the boot log 382 is a log in an append-only
7 memory of the CPU that is cleared at the beginning of every boot. Since it
8 consumes only about a few hundred bytes, the boot log 382 can be comfortably
9 included in the main CPU. Alternatively, the CPU 352 can store the boot log 382
10 in volatile memory 356 in a cryptographic tamper-resistant container.

11 A further implementation is by means of a software module that allows
12 each section of the booting operating system to write entries into the boot log that
13 cannot be removed by later components without leaving evidence of tampering.
14 Yet alternatively, the SIR can hold a cryptographic digest of a data structure
15 comprising the initial boot block and the subsequent contents of the boot log. The
16 operation of appending to the boot log (call this operation "Extend") replaces the
17 SIR with the hash of the concatenation of the SIR and the entry being appended to
18 the boot log. A straightforward implementation of this operation may be seen to
19 modify the SIR. Note, however, that the operating system, when booting, can
20 choose to add elements to the boot log without loading the corresponding
21 components, and so a more privileged combination of software components can
22 impersonate a less privileged one. This allows the controlled transfer of secrets
23 across privilege levels. In this approach, software will keep its own plaintext copy
24 of the boot log entries, along with the initial value of the SIR following boot, and
25 this plaintext copy is validated by knowledge of the current composite SIR.

The operating system (OS) 390 is stored in the memory 354 and executed on the CPU 352. The operating system 390 has a block of code 392 used to authenticate the operating system on the CPU during the boot operation. The boot block 392 uniquely determines the operating system, or class of operating systems (e.g. those signed by the same manufacturer). The OS manufacturer can also sign the boot block 392.

Once booted, the operating system 390 and other selected applications (e.g., banking applications) named in an access control list (ACL) by the owner of the computer can set aside space 394 in memory or disk 354 to hold private or confidential data in a secure manner, without fear of other operating systems or rogue applications reading the data in the space. The private data is protected by encryption using a key that is generated based in part upon a seed supplied by an authenticated and trusted OS, in part by a secret key stored in the CPU, and in part by the software identity register (SIR). The private data is stored with an ACL naming the applications that can use the data and the terms under which they can use it.

The authenticated boot process allows any software at any point in the boot sequence to initiate an authenticated boot.

Fig. 11 shows steps in a method for performing an authenticated boot operation on the operating system 390. These steps are performed by the CPU 352

1 and OS 390 resident in the secure-processor wallet 350. At step 400, the CPU
2 executes the BeginAuthenticatedBoot opcode in the signed boot block 392 to set
3 an identity for the operating system 390. The identity can be a digest of the boot
4 block's opcodes and data, or the public key corresponding to a signature on the
5 boot block of the operating system.

6 The BeginAuthenticatedBoot opcode and the boot block execute as one
7 atomic operation, with the implication that if they execute completely and
8 correctly, the resulting operating system can be trusted. Measures are taken to
9 ensure that the CPU is not interrupted and that the boot code that has just been
10 validated cannot be modified. This can involve locking the memory bus and
11 switching off interrupts. It could also involve having the CPU watch for interrupts
12 or for writes by other bus agents and invalidate the authenticated boot sequence if
13 they occur. The BAB opcode can be executed at any time, with one exemplary
14 time being at the start of the OS loader, right after the OS-selector executes. An
15 alternative implementation is to provide both a BeginAuthenticatedBoot (BAB)
16 and an EndAuthenticatedBoot (EAB) instruction. The BAB instruction computes
17 the secure hash of the boot block and the EAB instruction sets the SIR if the
18 execution of the boot block was not interrupted or potentially modified by memory
19 writes from another processor or another bus master.

20 Execution of the BeginAuthenticatedBoot opcode sets the internal software
21 identity register 378 to either (1) the OS's identity (i.e., boot block digest or OS
22 public key) if the operation is successful, or (2) zero if some event or circumstance
23 has potentially subverted operation. Assuming the operation is successful (i.e., the
24 "yes" branch from step 402), the SIR 378 is now a unique number or other value
25 that represents the identity of the operating system 390 (step 404). Any two

At step 408, the CPU 352 fills the first entry on the boot log 382 with the public key (or digest) of the boot block 392. From now on, any running code can append data to the boot log 382, and it is generally used by code in the boot chain to identify code versions as they are loaded and executed. Appending data to the boot log can be simulated by modifying the SIR via an “Extend” operation.

The boot block 392 is free to load the next set of blocks in the boot-chain (step 410). At step 412, the boot block 392 checks the validity of the modules (by signature or other means) and loads them so that they can be executed. An identity for each module is appended to the boot log 382. The OS will also retain additional information on components that it loads (e.g., version numbers, device driver IDs, etc.). Loading and executing the code may result in loading more code, validating it, and executing it, etc. This process continues through to the loading of device drivers. When the boot sequence is complete, the OS is operational and the software identity register and the boot log store non-modifiable data captured during the boot sequence. Loading new device drivers can be recommenced at any point, possibly causing the operating system to become less privileged, with the possible termination of access to private data.

Secure Processor Wallet with Curtaining Architecture

Fig. 12 is a symbolic map of a memory space 450 in the secure-processor wallet 350 (Fig. 10). Space 450 can exist in a single physical memory, or in

Space 450 has three regions or rings 452, 454, and 456. Outer ring 452 is called “Ring C” and has only conventional protection or security against any kind of read or write access by any code located there or in the other rings in the present system, and normally occupies almost all of the available address space. All normal user-mode code and data reside in this ring. The operating system, including the kernel, also resides there. Ring C has no read or write access to the other two rings.

Rings 454 and 456 are called “Ring B” and “Ring A”, respectively. These two inner rings together form the secure or “curtained” region of memory. No program code in Ring C has any access to data within them. Ring C code can, however, be enabled to initiate execution of code located there. Conversely, any code in Rings A and B has full conventional access to Ring C, including reading and writing data, and executing program code.

Ring 454 has full access privileges to Ring C, but only restricted access to innermost ring 456. Thus, it can have both semi-permanent storage (e.g., nonvolatile flash RAM for code routines) and volatile read/write memory for temporary data (e.g., keys).

Ring 456 has full access to Rings B and C for both code and data. It can also employ both nonvolatile and volatile technologies for storing code and data respectively. Its purpose is to store short loader and verifier programs and keys for authentication and encryption. The address space required by Ring A is generally much smaller than that of Ring B. That is, this exemplary embodiment has the Ring A address range within the address range of Ring B, which in turn lies within

the address range of Ring C. The address ranges of the rings need not be contiguous or lie in a single block. In order to prevent the access restrictions of the curtailed rings from being mapped away by a processor, the address ranges of Rings A and B can be treated as physical addresses only. In one embodiment, virtual addresses are conventionally translated into their corresponding real addresses, and then the restrictions are interposed at the level of the resulting real addresses. Alternatively, a mechanism could disable virtual addressing when certain addresses are accessed.

In some cases, it may be desirable to allow multiple parties to implant their own separate authentication code and data that cannot be accessed by any of the other parties. For example, the manufacturer of the processor, the manufacturer of the computer, the provider of the operating system, and the provider of trusted application programs may all desire to execute their own authentication or other security routines and manage their own keys. At the same time, each party should be able to use code and data in the unsecure Ring C, and to execute certain routines in the inner Ring A. Dividing Ring B into peer subrings 460, 462, and 464 permits this type of operation.

Region 460, called Subring B1, has the privileges and restrictions of Ring B, except that it cannot access subring 462 or 464. Subring B1 can, however, access any part of Ring B that lies outside the other subrings. In this way, Subring 460 (B1) can function as though it were the only middle ring between Rings A and C. Subrings 462 (B2), and 464 (B3) operate in the same manner.

The memory available to the curtailed memory subsystem can be allocated under the control of the Ring-A executive code. In order that no untrusted party can manipulate the memory map to reveal secrets, the map of the subrings in the

1 Ring-B memory is kept in flash storage in curtained memory, under control of the
2 curtained-memory controller in ring A.

3 The foregoing shows how untrusted code can be prevented from accessing
4 the contents of a secure memory. The trusted code that is permitted to perform
5 secure operations and to handle secret data is called curtained code. In other
6 systems, such code must be executed within a privileged operating mode of the
7 processor not accessible to non-trusted software, or from a separate secure
8 processor. In the present invention, however, curtained code can only be executed
9 from particular locations in memory. If this memory is made secure against
10 intrusion, then the curtained code can be trusted by third parties. Other features
11 restrict subversion through attempts at partial or modified execution of the
12 curtained code.

13 14 Conclusion

15 The electronic asset system and process described above maintains the
16 efficiency of asset sticks while flexibly allowing a user to spend coins from the
17 same stick with multiple vendors. To maintain soundness, a randomized audit of a
18 sampled subset of the transferred assets is implemented.

19 The result is a scheme where withdrawal is as efficient as the conventional
20 PayWord system (see the Background Section). A stick can be partitioned into
21 sub-sticks (called runs) on the fly, where each run is dedicated by the user to any
22 vendor of the user's choice. The run's length is not pre-determined (except for the
23 obvious restriction that the sum of runs cannot exceed the original stick).
24 Furthermore, the deposit processing-cost of a run is roughly equal to that of a stick
25 in PayWord.

1 In compliance with the patent statute, the invention has been described in
2 language more or less specific as to structure and method features. It is to be
3 understood, however, that the invention is not limited to the specific features
4 described, since the means herein disclosed comprise exemplary forms of putting
5 the invention into effect. The invention is, therefore, claimed in any of its forms or
6 modifications within the proper scope of the appended claims appropriately
7 interpreted in accordance with the doctrine of equivalents and other applicable
8 judicial doctrines.

1 **CLAIMS**

2 **1.** A method comprising:

3 minting a stick of electronic assets by digitally signing with an issuer's
4 signature a composite of user-provided data items including a user identity, a
5 bottom asset from a bottom of the stick, and a length of the stick;

6 spending one or more assets from the stick at one or more vendors, wherein
7 each expenditure with a particular vendor involves digitally signing with a user's
8 signature a first asset from the stick to be spent and passing the user-signed first
9 asset along with the issuer-signed composite to the particular vendor for
10 verification and subsequently passing any additional assets to be spent without user
11 signature to the particular vendor; and

12 depositing one or more assets collected by the particular vendor by digitally
13 signing with the particular vendor's signature a composite of data items including
14 the user-signed first asset and a last asset spent by the user from the stick and
15 passing the vendor-signed composite along with the issuer-signed composite to the
16 issuer.

17
18 **2.** A method as recited in claim 1, further comprising storing the stick of
19 electronic assets in a tamper-resistant electronic wallet.

20
21 **3.** A method as recited in claim 1, further comprising storing the stick of
22 electronic assets in an electronic wallet constructed with a secure-processor
23 architecture.
24
25

1 4. A method as recited in claim 1, wherein the minting comprises
2 minting the stick of assets using a blind signature protocol.

3
4 5. A method as recited in claim 1, wherein the spending comprises:
5 concatenating a vendor identity with the first asset from the stick to form a
6 payment request;

7 signing the payment request with a signature of the user:

8 submitting the user-signed payment request along with the issuer-signed
9 withdrawal request to the vendor;

10 accepting the first asset as payment in an event that the user and the issuer
11 are verified; and

12 subsequently passing any additional assets from the stick as payment to the
13 vendor without digitally signing them with the user's signature;

14
15 6. A method as recited in claim 1, wherein the depositing comprises:
16 concatenating the user-signed first asset $S_U(C_j)$, a last asset spent from the
17 stick C_k , and a run length RL of assets beginning with the first asset C_j and ending
18 with the last asset C_k to form a deposit request;

19 signing the deposit request with a signature of the vendor:

$$S_V(S_U(C_j), C_k, RL)$$

22
23 submitting the vendor-signed deposit request along with the issuer-signed
24 withdrawal request to the issuer; and
25

1 crediting a vendor account with the run of assets in an event that the user,
2 the vendor, the run, and the issuer are positively verified.

3
4 7. A method as recited in claim 1, further comprising auditing the assets
5 deposited by the vendor.

6
7 8. A method as recited in claim 1, further comprising auditing a sample
8 of the assets paid by the user to the vendor.

9
10 9. A method as recited in claim 1, further comprising selecting, at the
11 vendor, a subset of less than all of the assets paid by the user to the vendor and
12 submitting the subset of assets to an auditor for fraud evaluation.

13
14 10. Distributed computer-readable media resident at the issuer, user, and
15 vendor having computer-executable instructions to perform the method as recited
16 in claim 1.

17
18 11. Computers resident at the issuer, user, and vendor that are
19 programmed to perform the method as recited in claim 1.

20
21 12. A method for issuing electronic assets, comprising:
22 forming a stick of L electronic assets C_i (for $i=1, \dots, L$) where each asset
23 can be derived from a preceding asset in the stick;
24 signing the stick with a signature of a party issuing the assets;
25

1 spending a first run of one or more assets from the stick at a first vendor;
2 and
3 spending a second run of one or more assets from the stick at a second
4 vendor.

5
6 **13.** A method as recited in claim 12, further comprising storing the stick
7 of electronic assets in a tamper-resistant electronic wallet.

8
9 **14.** A method as recited in claim 12, further comprising storing the stick
10 of electronic assets in an electronic wallet constructed with a secure-processor
11 architecture.

12
13 **15.** A method as recited in claim 12, wherein the forming comprises
14 anonymously issuing the stick of assets using a blind signature protocol.

15
16 **16.** A method as recited in claim 12, wherein the forming comprises:
17 creating the stick of L electronic assets by computing:

$$C_i = h^i(x) \quad (\text{for } i=1, \dots, L)$$

18
19
20
21 where $h(x)$ is a one-way hashing function of a value x .

1 **17.** A method as recited in claim 16, wherein the forming further
2 comprises:

3 constructing a withdrawal request having a user identity U , a user secret K ,
4 a last asset value C_L taken from a bottom of the stick, a denomination d indicating
5 a value for the assets in the stick, an expiration t , and the value L ; and

6 signing the withdrawal request with a signature of an issuer:

$$S_I(U, K, d, C_L, t, L).$$

7
8
9
10 **18.** A method as recited in claim 12, wherein the spending comprises:

11 signing a first asset from the stick with a signature of the user:

12 submitting the user-signed asset along with the signed stick to the first
13 vendor; and

14 in an event the first asset is accepted, subsequently submitting any
15 additional assets from the stick without digitally signing them.

16
17 **19.** A method as recited in claim 12, further comprising auditing the
18 assets from the first and second runs of assets for fraud.

19
20 **20.** A method as recited in claim 12, further comprising auditing a
21 sample of assets from the first and second runs of assets for fraud.

22
23 **21.** A method as recited in claim 12, further comprising depositing the
24 first and second runs of assets.

1 **22.** Computer-readable media resident at the issuer and the user having
2 computer-executable instructions to perform the method as recited in claim 12.

3
4 **23.** Computers resident at the issuer and the user that are programmed to
5 perform the method as recited in claim 12.

6
7 **24.** A method for issuing electronic assets, comprising:
8 creating, at a user, a stick of L electronic assets by computing:

$$C_i = h^i(x) \quad (\text{for } i=1, \dots, L)$$

9
10
11
12 where $h(x)$ is a hashing function of a value x ;

13 submitting a withdrawal request from the user to an issuer, the withdrawal
14 request having a user identity U , a last asset value C_L taken from a bottom of the
15 stick, and the value L , while omitting any vendor identity;

16 signing, at the issuer, the withdrawal request; and
17 returning the signed withdrawal request to the user.

18
19 **25.** A method as recited in claim 24, further comprising storing the stick
20 of electronic assets and signed withdrawal request in a tamper-resistant electronic
21 wallet.

26. A method as recited in claim 24, further comprising storing the stick of electronic assets and signed withdrawal request in an electronic wallet constructed with a secure-processor architecture.

27. A method as recited in claim 24, wherein the withdrawal request further has a user secret K , a denomination d indicating a value for the assets in the stick, and an expiration t .

28. A computer-readable medium having computer-executable instructions that direct an electronic wallet to perform the method as recited in claim 24.

29. A computer programmed to perform the method as recited in claim 24.

30. A computer-readable medium storing the stick of electronic coins and the signed withdrawal request constructed as a result of the method as recited in claim 24.

31. A method comprising:
creating, at a user, a stick of L electronic assets by computing:

$$C_i = h^i(x) \text{ (for } i=1, \dots, L)$$

where $h(x)$ is a hashing function of a value x ;

submitting a withdrawal request from the user to an issuer, the withdrawal request having a user identity U , a user secret K , a last asset value C_L taken from a bottom of the stick, a denomination d indicating a value for the assets in the stick, an expiration t , and the value L ;

signing, at the issuer, the withdrawal request:

$$S_I(U, K, d, C_L, t, L)$$

returning the issuer-signed withdrawal request to the user;

initiating payment of one or more assets from the stick to a vendor having an identity V ;

concatenating, at the user, the vendor identity with a first asset C_j to be spent from the stick to form a payment request, and a depth D indicating a distance of the first asset from the bottom of the stick;

signing the payment request with a signature of the user:

$$S_U(C_j, D, V)$$

submitting the user-signed payment request along with the issuer-signed withdrawal request to the vendor;

accepting the first asset as payment at the vendor in an event that the user and the issuer are verified;

subsequently passing any additional assets from the stick as payment to the vendor without digitally signing them with the user's signature;

concatenating, at the vendor, the user-signed first asset, a last asset spent from the stick Ck , and a run length RL of assets beginning with the first asset Cj and ending with the last asset Ck to form a deposit request;

signing the deposit request with a signature of the vendor:

$$S_V(S_U(Cj), Ck, RL)$$

submitting the vendor-signed deposit request along with the issuer-signed withdrawal request to the issuer; and

crediting a vendor account with the run of assets in an event that the user, the vendor, and the issuer are verified.

32. A method as recited in claim 31, further comprising randomly selecting an asset from the assets paid by the user to the vendor and submitting the selected asset for audit.

33. A method as recited in claim 31, further comprising auditing the assets deposited by the vendor with the issuer.

34. A method for anonymously issuing electronic assets, comprising:
creating, at a user, a stick of L electronic assets by computing:

$$C_i = h^i(x) \quad (\text{for } i=1, \dots, L)$$

where $h(x)$ is a hashing function of a value x ;

1 blinding the stick using a random value p , where:

2

$$3 \text{ Blind Stick} = p^e C_L \bmod N$$

4

5 where C_L is a bottom asset on the stick;

6 submitting a withdrawal request from the user to an issuer, the withdrawal
7 request having the blind stick and the value L ;

8 signing, at the issuer, the withdrawal request by computing:

9

$$10 \text{ } c = (p^e C_L)^{L_f} = p^L C_L^{L_f} \bmod N$$

11

12 where e and f are public and private variables known by the issuer and e is
13 known to everyone;

14 returning the signed withdrawal request to the user;

15 deriving a new bottom asset by computing:

16

$$17 \text{ } C_L^{L_f} = c / p^L \bmod N.$$

18

19 **35.** A method as recited in claim 34, further comprising storing the blind
20 stick of electronic assets and signed withdrawal request in a tamper-resistant
21 electronic wallet.

22

23

24

25

1 **36.** A method as recited in claim 34, further comprising verifying the
2 bottom asset by computing C_L^{Lf} independently and comparing a result to the new
3 bottom asset derived in said deriving (C_L^{Lf})
4

5 **37.** A method as recited in claim 34, further comprising storing the blind
6 stick of electronic assets and signed withdrawal request in an electronic wallet
7 constructed with a secure-processor architecture.
8

9 **38.** A method as recited in claim 34, further comprising spending an
10 asset from the blind stick by first sending the new bottom to a vendor for
11 verification.
12

13 **39.** A computer-readable medium having computer-executable
14 instructions that direct an electronic wallet to perform the method as recited in
15 claim 34.
16

17 **40.** A computer programmed to perform the method as recited in claim
18 34.
19

20 **41.** A computer-readable medium storing the blind stick of electronic
21 coins and the signed withdrawal request constructed as a result of the method as
22 recited in claim 34.
23
24
25

1 **45.** A method as recited in claim 43, wherein the changing comprises,
2 upon spending the oldest coupon, moving the second user pointer and the second
3 vendor pointer to reference a next oldest coupon.

4
5 **46.** A method as recited in claim 42, wherein the swapping comprises
6 exchanging data indicating which coupons are being referenced in the user stick
7 and the vendor stick.

8
9 **47.** Computer-readable media resident at the user and the vendor having
10 computer-executable instructions that perform the method as recited in claim 42.

11
12 **48.** Computers resident at the user and the vendor that are programmed
13 to perform the method as recited in claim 42.

14
15 **49.** A method for handling electronic coupons, comprising:
16 storing a first set of coupons in a user-based data structure maintained at a
17 user;
18 storing a second set of coupons in a vendor-based data structure maintained
19 at a vendor, the second set of coupons corresponding to the first set of coupons;
20 using first and second user pointers to reference a first and last coupon in
21 the user-based data structure;
22 using first and second vendor pointers to reference a first and last coupon in
23 the vendor-based data structure;
24 upon earning a new coupon,
25 adding the new coupon to the user-based stick;

1 modifying the first user pointer at the user-based data
 2 structure to reflect the new coupon;
 3 informing the vendor;
 4 updating the first vendor pointer at the vendor-based data
 5 structure to reflect that the user-based data structure is referencing
 6 the new coupon;
 7 upon spending a current coupon from the user-based data structure,
 8 submitting the current coupon to the vendor;
 9 evaluating, at the vendor, whether the coupon is acceptable
 10 and if acceptable, modifying the second pointer at the vendor-based
 11 data structure to reflect expenditure of the coupon;
 12 informing the user;
 13 updating the second user pointer at the user-based data
 14 structure to reflect expenditure of the current coupon.

15
 16 **50.** An architecture for managing electronic coupons, comprising:
 17 a user-based data structure embodied on a computer-readable medium, the
 18 user-based data structure storing one or more coupons;
 19 a first user pointer to an oldest coupon in the user-based data structure;
 20 a second user pointer to a newest coupon in the user-based data structure;
 21 a vendor-based data structure embodied on a computer-readable medium,
 22 the vendor-based data structure storing one or more coupons associated with the
 23 coupons stored on the user-based data structure;
 24 a first vendor pointer to an oldest coupon in the vendor-based data
 25 structure;

a second vendor pointer to a newest coupon in the vendor-based data structure;

wherein the user-based data structure and the vendor-based data structure are concurrently maintained so that (1) modification of the first user pointer to reference another coupon in the user-based stick results in updating and verification of the first vendor pointer to reference an associated coupon in the vendor-based stick and (2) modification of the second vendor pointer to reference a different coupon in the vendor-based stick results in updating and verification of the second user pointer to reference an associated coupon in the user-based stick.

51. An electronic asset system comprising:

an issuer wallet having a processor and storage, the issuer wallet digitally signing with an issuer's signature a composite of user-provided data items including a user identity, a bottom asset from a bottom of a stick of electronic assets, and a length of the stick;

a user wallet having a processor and storage to store the stick of electronic assets and issuer-signed composite and to spend one or more assets from the stick at one or more vendors, the user wallet spending one or more assets by digitally signing with a user's signature a first asset from the stick to be spent and passing the user-signed first asset along with the issuer-signed composite to the vendor for verification; whereupon verification, the user wallet subsequently passes any additional assets to be spent without user signature to the vendor; and

a vendor wallet having a processor and storage to store one or more assets spent by the user wallet, the vendor wallet depositing the assets collected from the user wallet by digitally signing with the particular vendor's signature a composite

1 of data items including the user-signed first asset and a last asset passed in the
2 stick received from the user wallet and passing the vendor-signed composite along
3 with the issuer-signed composite to the issuer wallet for verification.

4
5 **52.** An electronic asset system as recited in claim 51, wherein the issuer
6 wallet, the user wallet, and the vendor wallet are tamper-resistant.

7
8 **53.** An electronic asset system as recited in claim 51, wherein the issuer
9 wallet, the user wallet, and the vendor wallet are tamper-resistant constructed with
10 a secure-processor architecture.

11
12 **54.** An electronic asset system as recited in claim 51, wherein the issuer
13 wallet signs the composite using a blind signature protocol.

14
15 **55.** An electronic asset system as recited in claim 51, further comprising
16 an auditing system to audit the electronic assets to detect whether assets have been
17 used in a fraudulent manner.

18
19 **56.** An electronic asset system as recited in claim 51, further comprising
20 a probabilistic auditing system to sample a subset of less than all electronic assets
21 to detect whether assets have been used in a fraudulent manner.

22
23 **57.** An electronic wallet having memory and a processor, the electronic
24 wallet being programmed to:

25 create a stick of L electronic assets by computing:

$$C_i = h^i(x) \quad (\text{for } i=1, \dots, L)$$

where $h(x)$ is a hashing function of a value x ;

form a withdrawal request having a user identity U , a last asset value C_L taken from a bottom of the stick, and the value L , while omitting any vendor identity;

submit withdrawal request to an issuer and receive the withdrawal request back with an issuer signature; and

store the signed withdrawal request and the stick.

58. An electronic wallet as recited in claim 57, further programmed to:

form a payment request for payment of one or more assets from the stick to a vendor having an identity V , the payment request having the vendor identity V and a first asset C_j to be spent from the stick;

sign the payment request:

$$S_U(C_j, V)$$

submit the signed payment request along with the signed withdrawal request to the vendor.

59. An electronic wallet having memory and a processor, the electronic wallet being programmed to:

receive a run of assets from a user;

1 select a subset of less than all of the assets received from the user; and
2 submit the subset of assets to an auditor for evaluation of fraudulent
3 expenditure.

4
5 **60.** An electronic wallet as recited in claim 59, further programmed to
6 randomly select the subset of assets.
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1 **ABSTRACT**

2 An electronic asset system mints a stick of electronic assets that can be
3 spent by the user with multiple vendors. Assets sticks are issued anonymously or
4 non-anonymously in a way without requiring dedication to a particular vendor,
5 hence allowing the user to spend one or more assets from the stick with different
6 vendors. The auditor randomly audit samples of the spent assets to detect whether
7 the assets have been fraudulently used. The electronic asset system employs
8 tamper-resistant electronic wallets constructed as dedicated hardware devices, or
9 as devices with secure-processor architecture. The electronic asset system also
10 facilitates handling of electronic coupons in a manner that enforces compliance
11 between the user and the vendor. The user and vendor each maintain a stick of
12 corresponding coupons with pointers to the most recent and oldest coupons
13 available for expenditure. When a coupon is used or granted, the user and vendor
14 both update the appropriate pointer to their respective sticks and then exchange
15 signed data describing placement of the pointer to verify a correspondence
16 between the referenced coupons.

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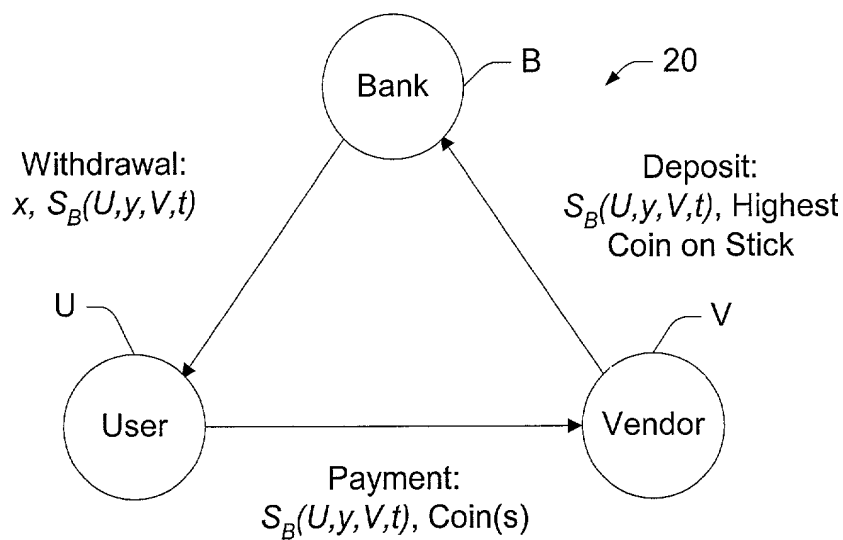


Fig. 1
Prior Art

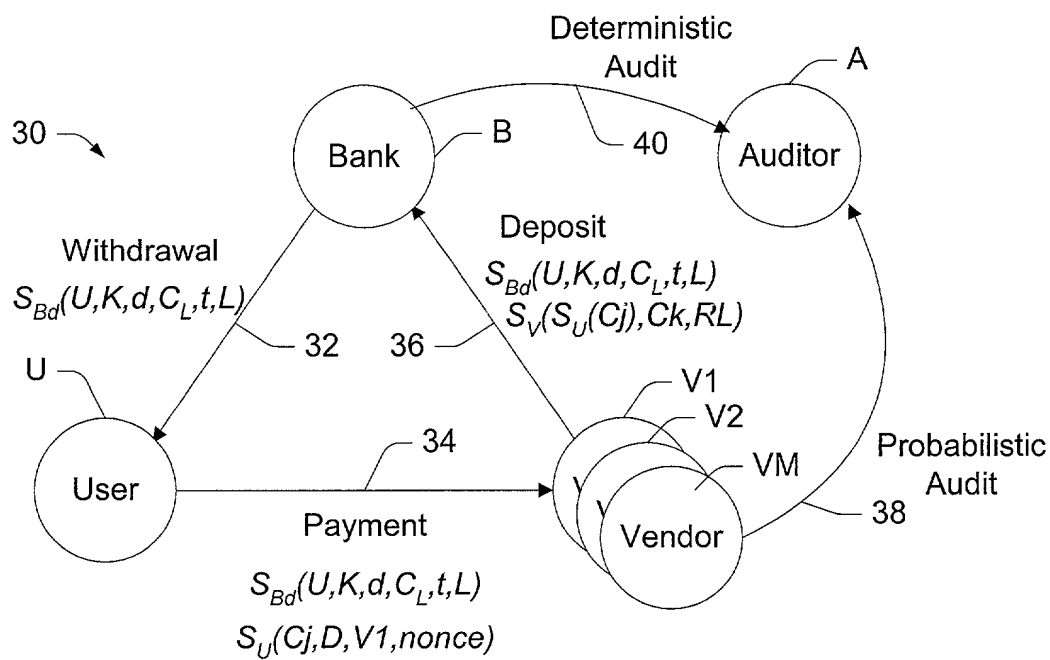
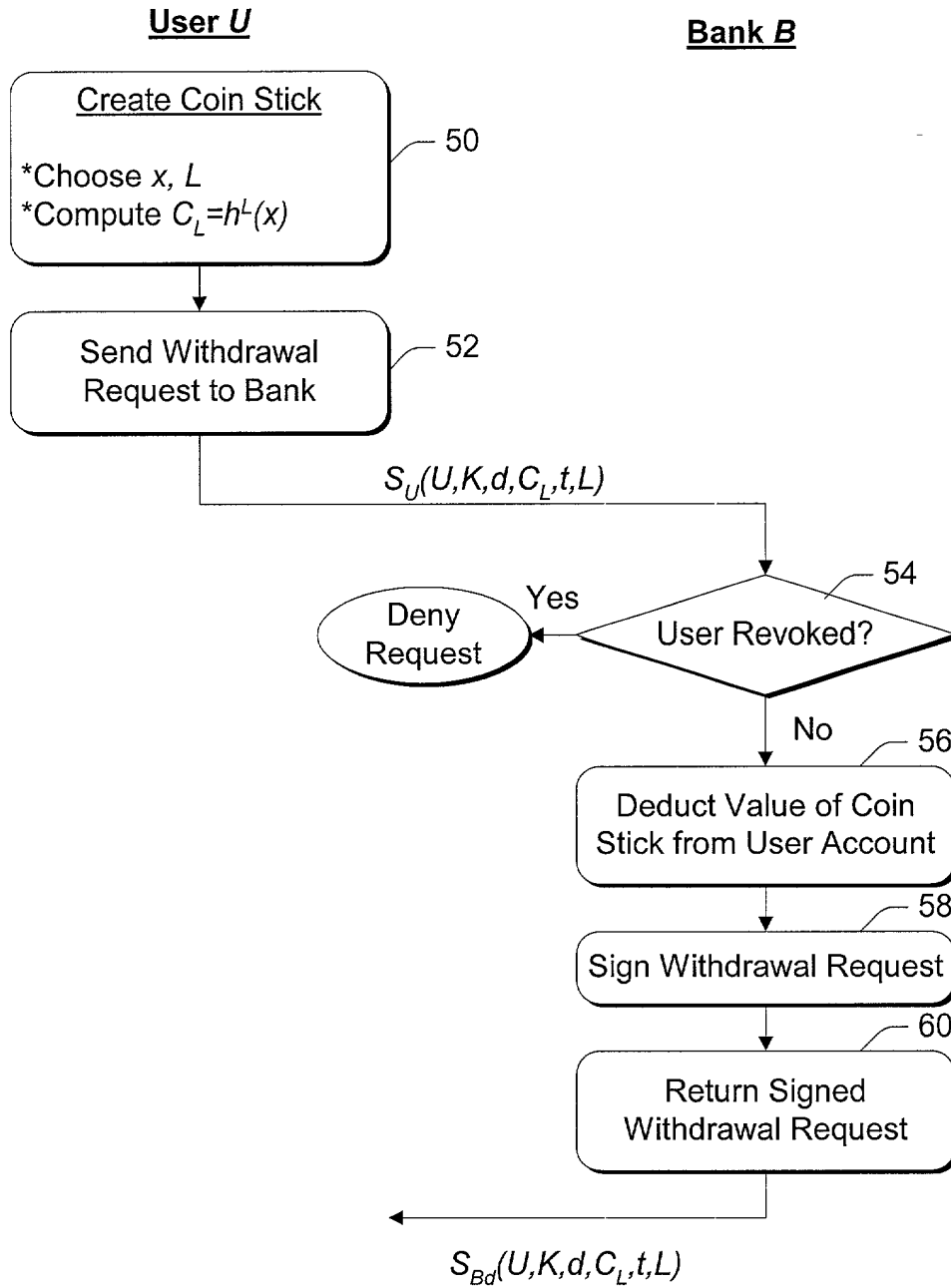
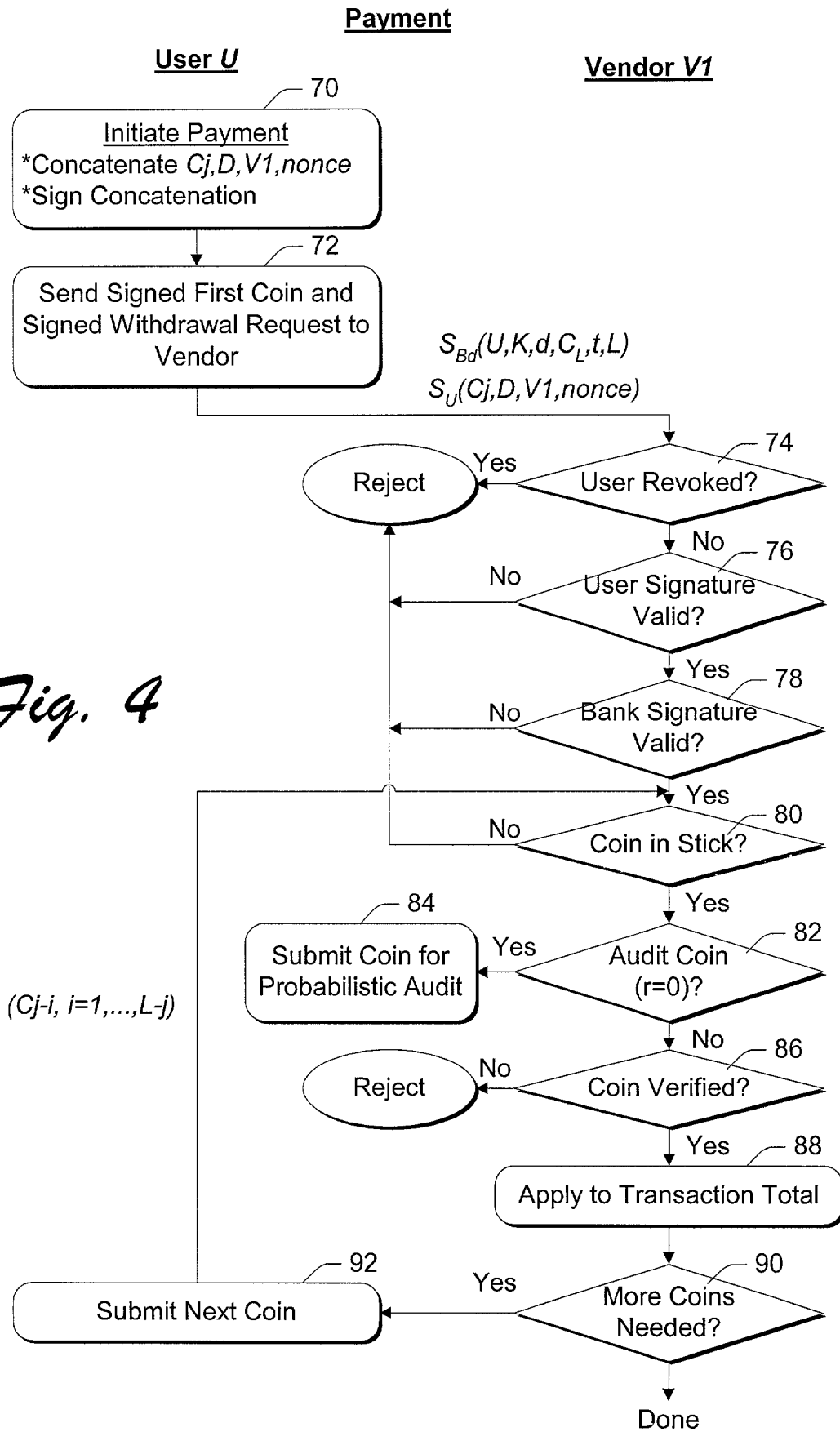
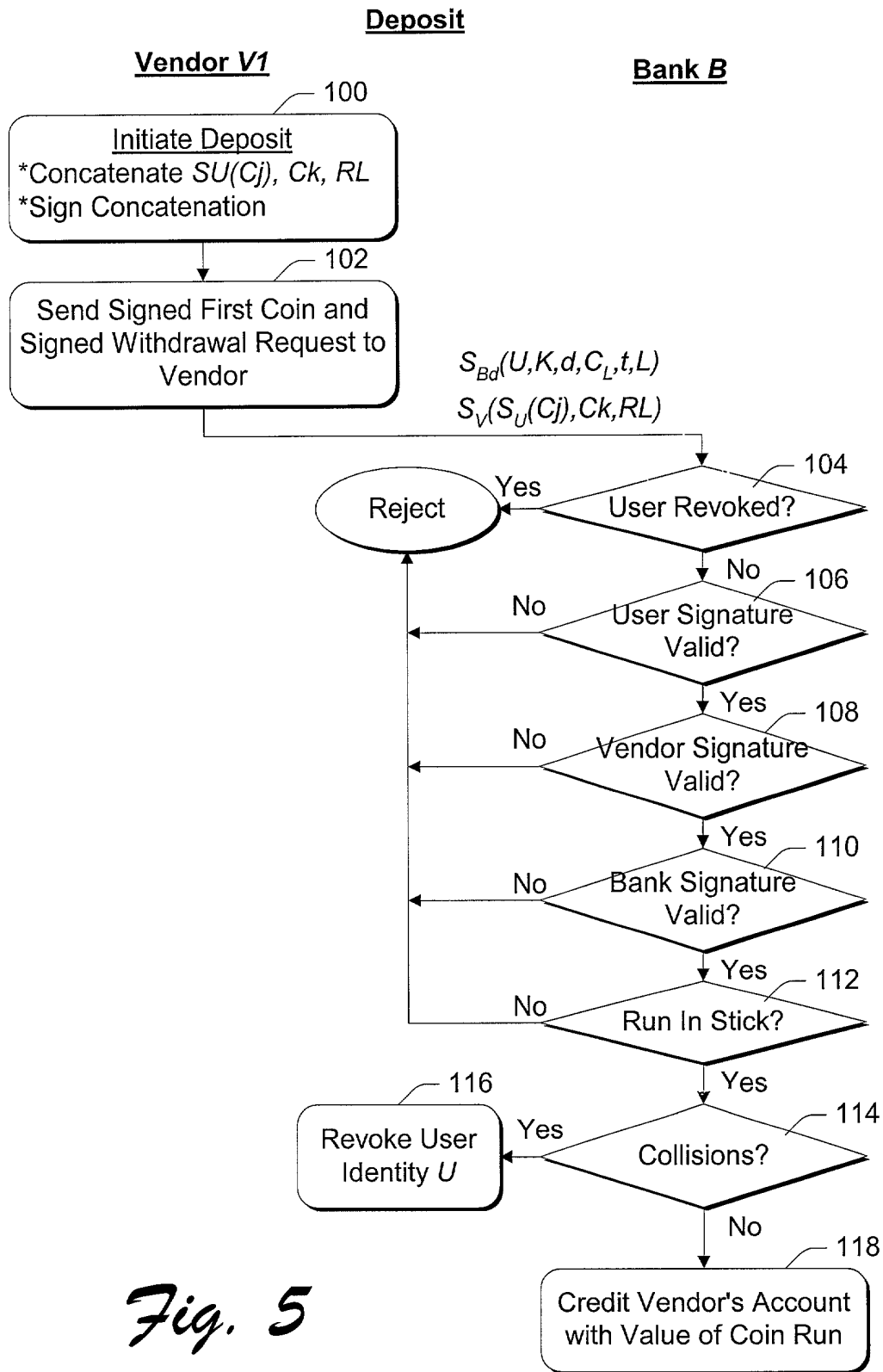
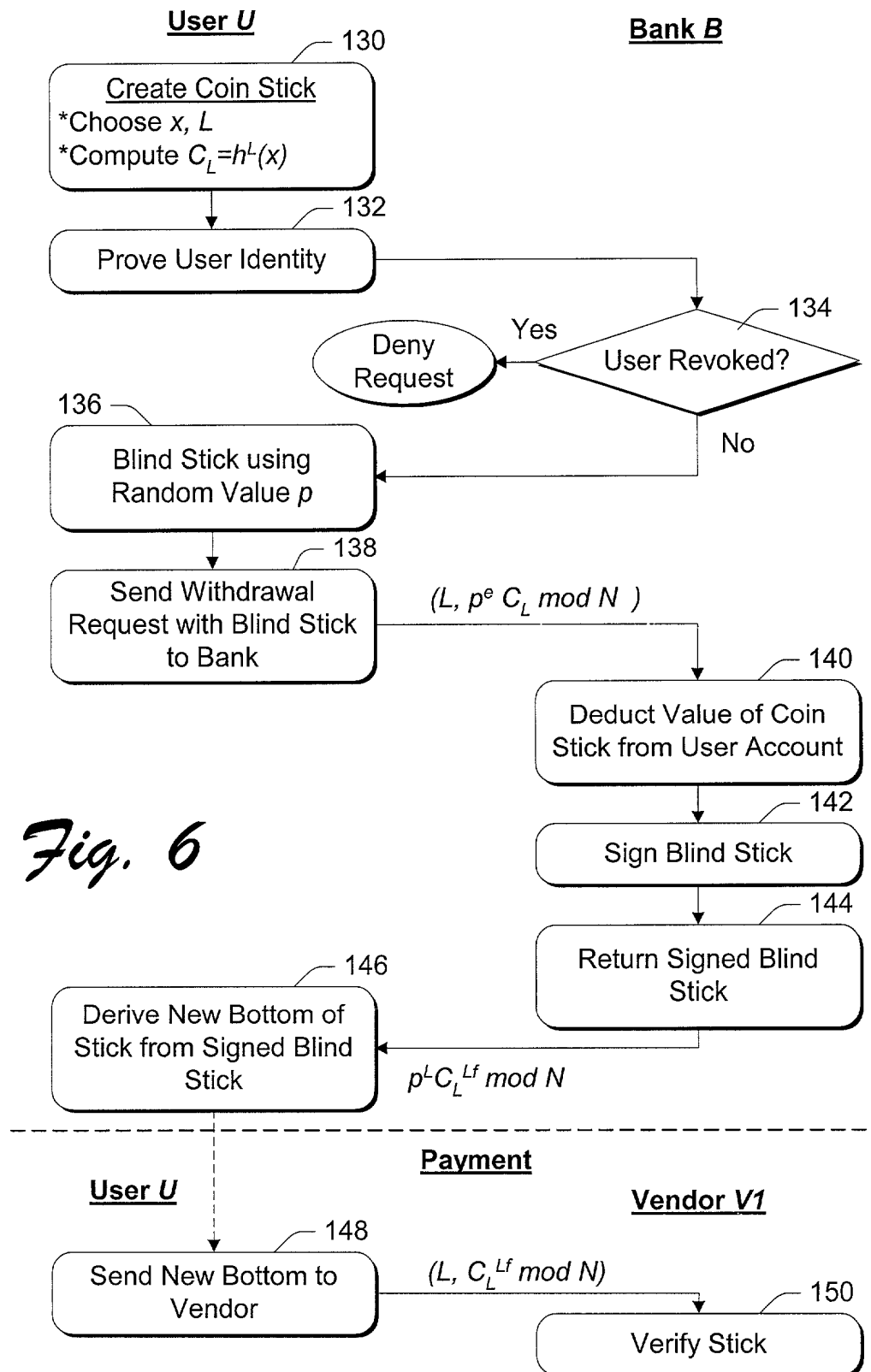


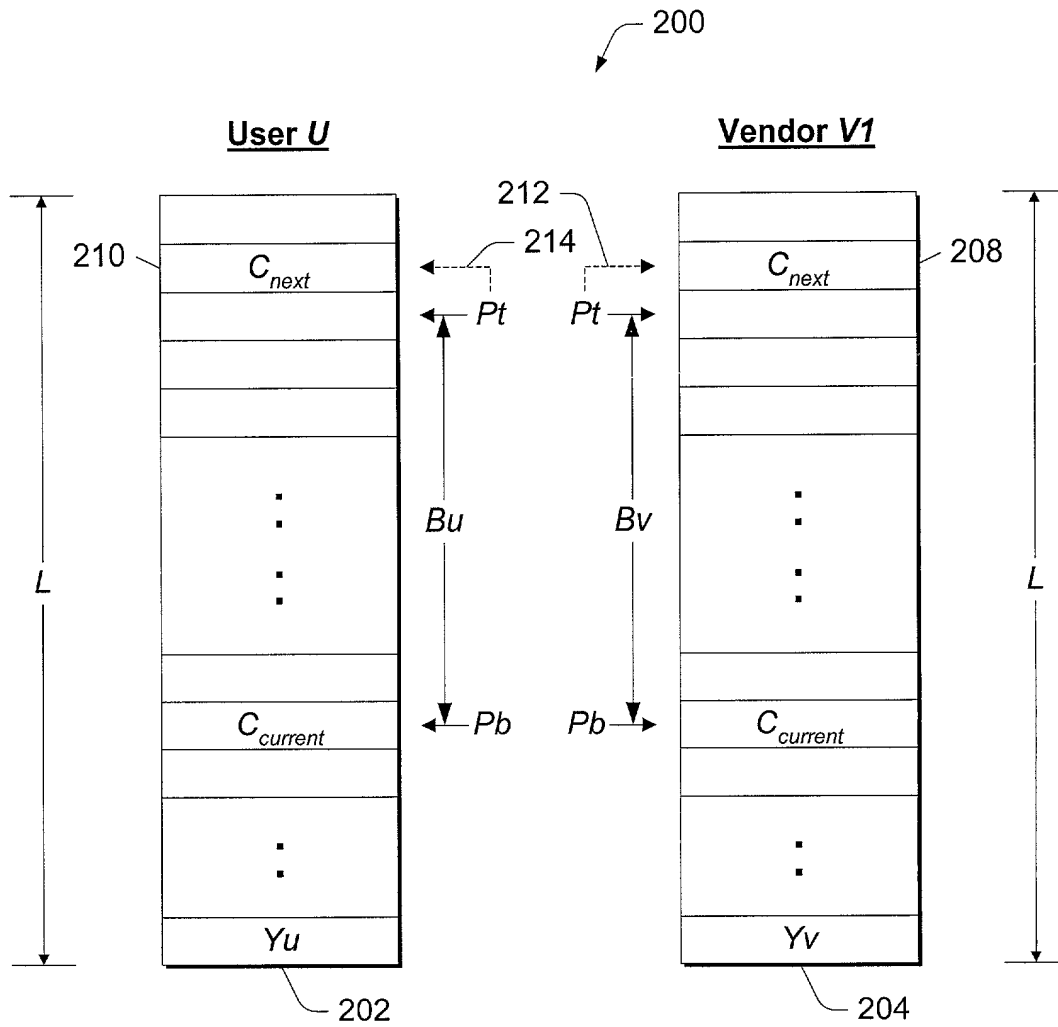
Fig. 2

Withdrawal**Fig. 3**





Blind Withdrawal

*Fig. 7*

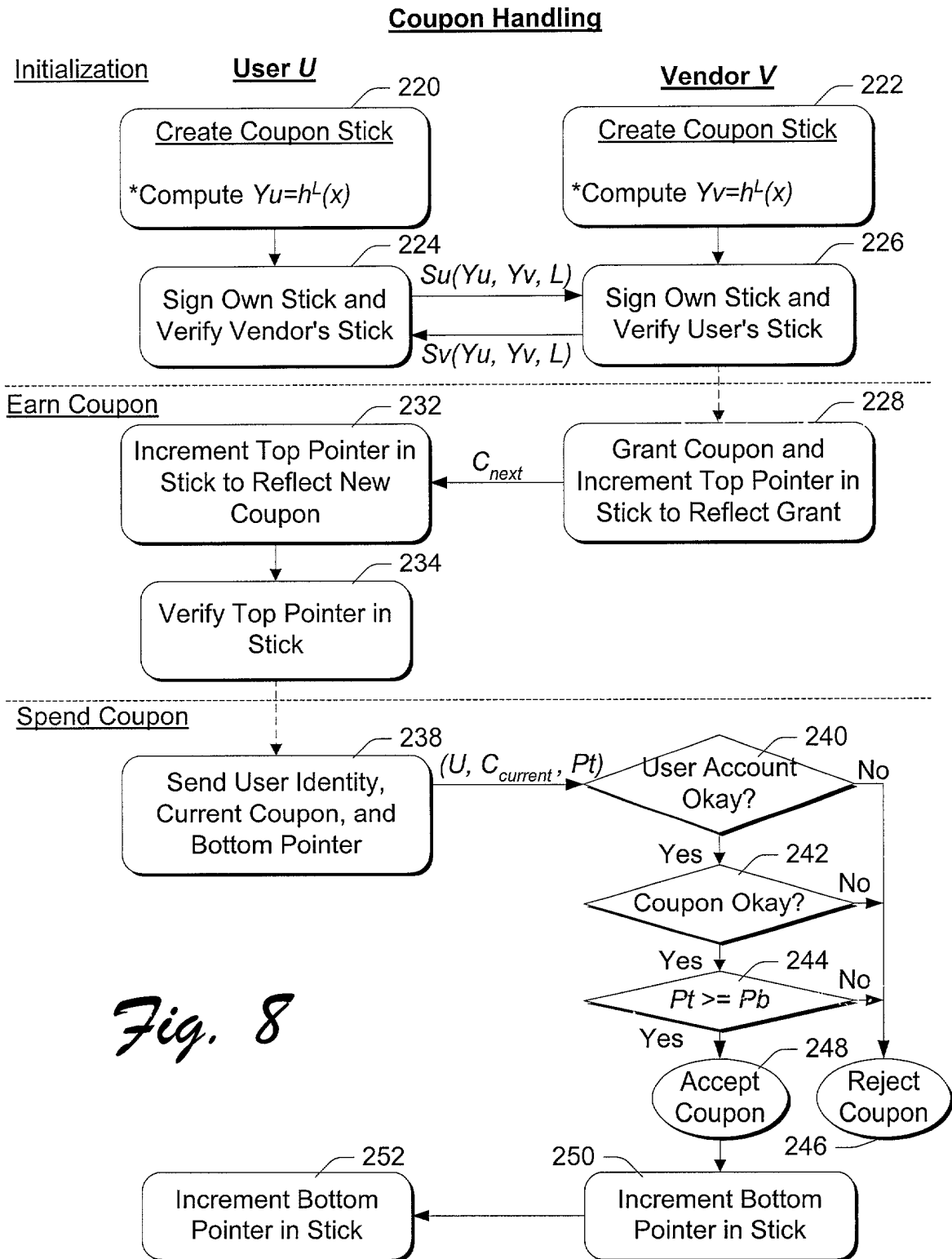
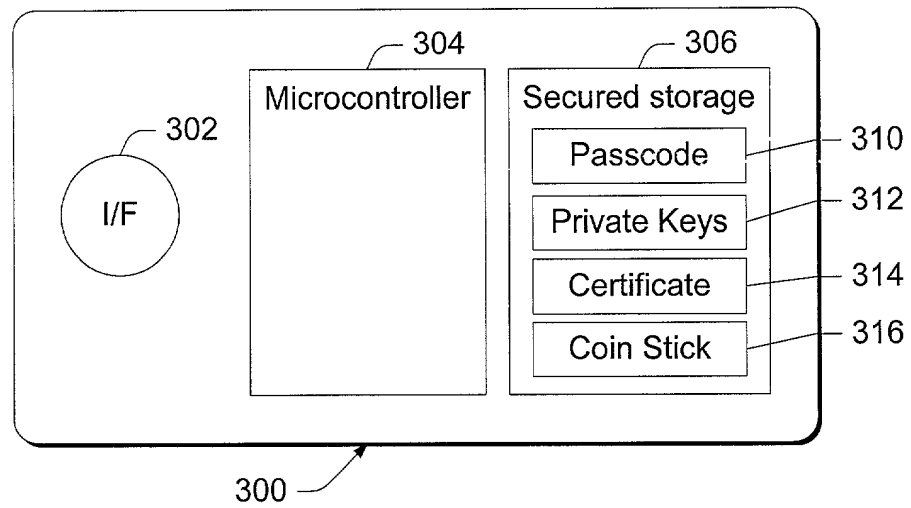
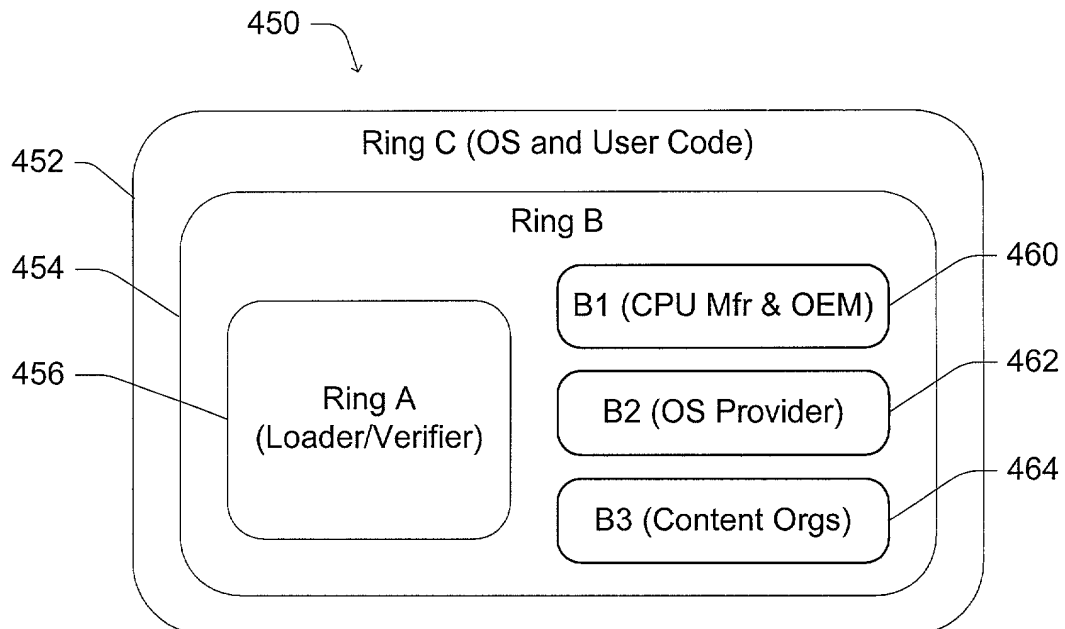
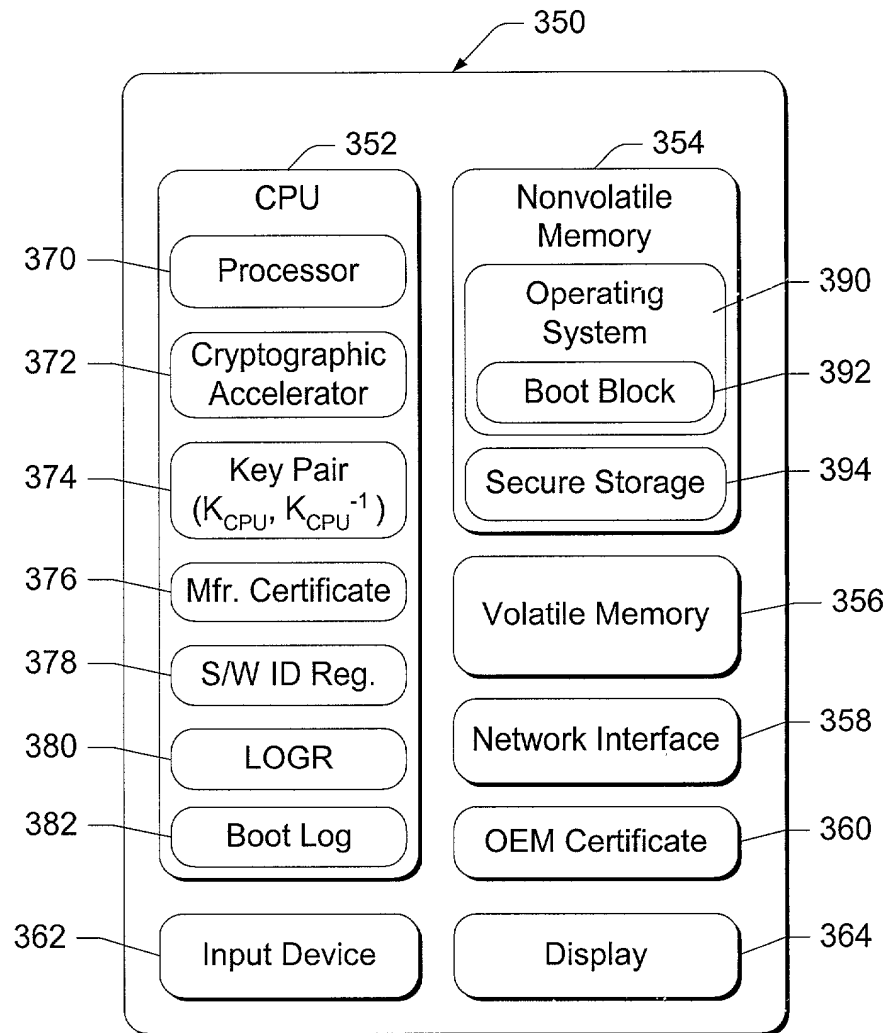
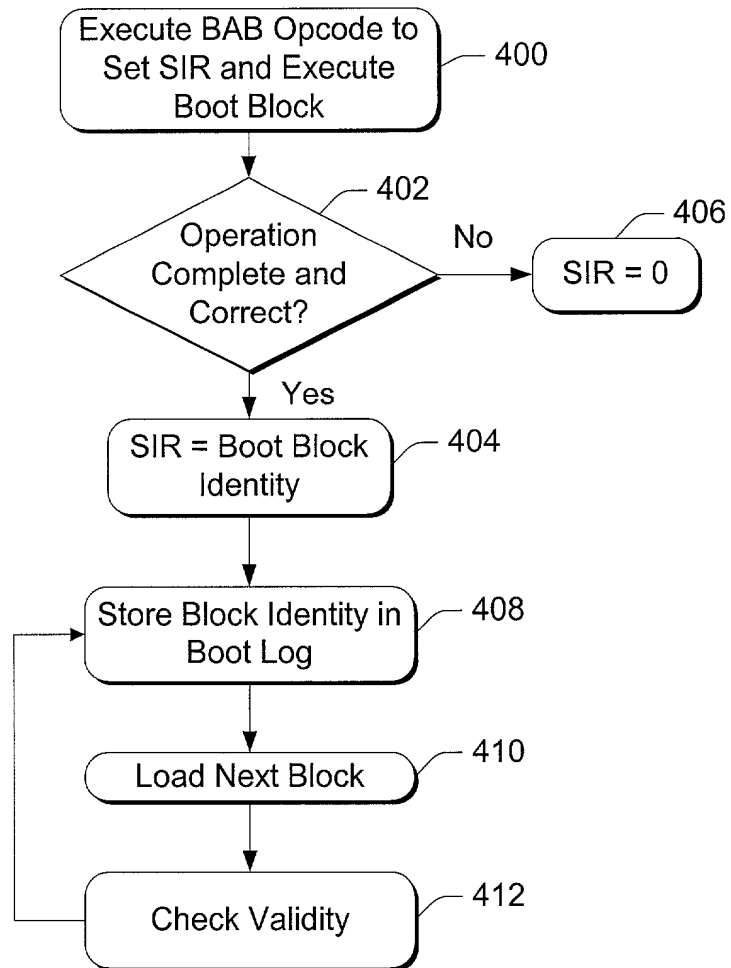


Fig. 8

*Fig. 9**Fig. 12*

*Fig. 10*

*Fig. 11*

1 **IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

2 Inventorship..... Yacobi et al.
 3 Applicant Microsoft Corporation
 4 Attorney's Docket No. MSI-306US
 5 Title: System and Method for Flexible Micropayment of Low Value Electronic
 Assets

6 **DECLARATION FOR PATENT APPLICATION**

7 As a below named inventor, I hereby declare that:

8 My residence, post office address and citizenship are as stated below next to
 9 my name.

10 I believe I am the original, first and sole inventor (if only one name is listed
 11 below) or an original, first and joint inventor (if plural names are listed below) of the
 12 subject matter which is claimed and for which a patent is sought on the invention
 13 entitled "System and Method for Flexible Micropayment of Low Value Electronic
 14 Assets," the specification of which is attached hereto.

15 I have reviewed and understand the content of the above-identified
 16 specification, including the claims.

17 I acknowledge the duty to disclose information which is material to the
 18 examination of this application in accordance with Title 37, Code of Federal
 19 Regulations, § 1.56(a).

20 PRIOR FOREIGN APPLICATIONS: no applications for foreign patents or
 21 inventor's certificates have been filed prior to the date of execution of this
 22 declaration.

23 **Power of Attorney**

24 I appoint the following attorneys to prosecute this application and transact all
 25 future business in the Patent and Trademark Office connected with this application:
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All statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statement may jeopardize the validity of the application or any patent issued therefrom.

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